

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

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CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
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EXHIBIT A - 15

NOTE 1 - Summary of Significant Accounting Policies

The Consolidated Government of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana, is both a municipality (home rule charter) and a parish government (political subdivision of the State of Louisiana). The City of Baton Rouge is located wholly within the boundaries of the parish. The parish (approximately 472 square miles) is located in the southeastern portion of the State bordered by the Mississippi River on the west, approximately 80 miles north of New Orleans. The City-Parish is governed by a Mayor-President and 12 single-district Metropolitan Council members.

a. Financial Reporting Entity

The Consolidated Government of the City of Baton Rouge, Parish of East Baton Rouge serves as the financial reporting entity for both the municipality (City of Baton Rouge) and for the Parish (East Baton Rouge Parish). The financial reporting entity consists of: (1) the primary government (all funds under the auspices of the Mayor-President and the Metropolitan Council), (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, established criteria for determining which component units should be considered part of the City of Baton Rouge, Parish of East Baton Rouge for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the City-Parish governing authority (Metropolitan Council or Mayor-President) appoints a majority of board members of the potential component unit.
3. Fiscal interdependency between the City-Parish and the potential component unit.
4. Imposition of will by the City-Parish on the potential component unit.
5. Financial benefit/burden relationship between the City-Parish and the potential component unit.

Based on the previous criteria, City-Parish management has included the following component units in the financial reporting entity:

Blended Component Units

The Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (CPERS) is reported as a pension trust fund in the Basic Financial Statements of the City of Baton Rouge, Parish of East Baton Rouge. The retirement system, a separate legal entity, was created in accordance with The Plan of Government in 1949. This retirement system exists for the sole benefit of current and former (primary government, component units, and related organizations) City-Parish employees who are members of the system. The system is governed by a seven-member board of trustees. Four members of the seven-member board are elected by the employees who participate in the system. The system is funded by the investment of contributions received from the City-Parish primary government, some of the government's component units, and related organizations, and member employees who are obligated to make the contributions to the system based upon actuarial valuations. The City-Parish does not serve as trustee for the retirement system. The fiscal year for CPERS is the calendar year. The separately issued audit report on the retirement system can be obtained at the following address: Jeffrey R. Yates, Retirement Administrator; P.O. Box 1471, Baton Rouge, LA 70821-1471.

Discrete Component Units

Capital Transportation Corporation (CTC) - CTC is a corporation created by and for the benefit of the Parish to provide urban mass transportation services. Any property acquired by the corporation is for the use and benefit of the City-Parish. Metropolitan Council approval is required for all transportation fare changes and operating subsidies. Operating subsidies

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EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

a. Financial Reporting Entity (Continued)

Discrete Component Units (Continued)

are provided through a federal grant passed through City-Parish and by local matching funds. CTC's financial statements for the period ended December 31, 2001, are discretely presented in the basic financial statements.

The Louisiana State Constitution mandates that parish governments fund a significant portion of the operational budgets of certain legally separate state constitutionally defined parish officials. These budgets are adopted as part of the City-Parish budget process. These officials also have certain statutorily defined sources of funds that are used for operating and/or capital purposes. These agencies have been discretely presented in the City-Parish Comprehensive Annual Financial Report (CAFR):

District Attorney of the Nineteenth Judicial District (for the period ended December 31, 2001)
Nineteenth Judicial District Court (for the period ended June 30, 2001)
E.B.R. Parish Coroner (for the period ended December 31, 2001)
E.B.R. Parish Family Court (for the period ended December 31, 2001)
E.B.R. Parish Juvenile Court (for the period ended December 31, 2001)
Nineteenth Judicial District Indigent Defender Board (for the period ended December 31, 2001)

Financial statements for the East Baton Rouge Parish Clerk of Court (for the period ended June 30, 2001) are also reported in the component units columns of the basic financial statements. A financial burden/benefit relationship exists between the Clerk and the primary government since the parish is statutorily required to fund certain items in the budget of the Clerk. The parish is also entitled to fifty percent of any surplus general funds of the Clerk of Court at the end of the Clerk's elected term.

Capital Region Planning Commission - The Capital Region Planning Commission is a private non-profit government agency that administers federal funding from the U.S. Department of Transportation. A majority of the commissioners are appointed by the City-Parish governing authority. The Metropolitan Council also approves grant budgets and pass-through funding to the Commission. The Commission's financial statements for the year ended June 30, 2001 are included in the discrete component unit columns of the basic financial statements.

Parish Fire Protection Districts - Parish Fire Protection Districts (including St. George Fire Protection District, Brownsfield Fire Protection District, Central Fire Protection District, E.B.R. Parish Fire Protection District No. 6, Eastside Fire Protection District, Pride Fire Protection District, Chaneyville Fire Protection District, and Alsen-St. Irma Lee Fire Protection District) are established pursuant to State Statutes. The Metropolitan Council appoints a majority of the board members of each fire protection district. The Council has the right to approve the fire protection districts' tax rates and charges. Although the City-Parish has issued debt in the past on behalf of one or more of the fire protection districts, each district is legally responsible for the debt it incurs. The fiscal year for all fire protection districts is the calendar year.

Brownsfield Fire Protection District, Chaneyville Fire Protection District, Pride Fire Protection District and Alsen - St. Irma Lee Fire Protection District do not have separately issued audit reports. Fiscal agency services for these legally separate discrete component units are provided by the City-Parish financial management system. Individual fund financial statements for these four non-major component units are included in the Combining and Individual Fund Statements and Schedules section of this report. (See Exhibits G-1 through G-4.)

Separately issued financial statements of all other City-Parish discretely presented component units can be obtained at the Office of the Legislative Auditor of the State of Louisiana, 1600 North Third Street, P.O. Box 94397, Baton Rouge, LA 70804-9397 or at the following administrative offices:

District Attorney Doug Moreau
222 St. Louis Street, Fifth Floor
Baton Rouge, LA 70802

East Baton Rouge Clerk of Court
Doug Welborn
222 St. Louis Street, First Floor
Baton Rouge, LA 70802

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EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

a. Financial Reporting Entity (Continued)

Discrete Component Units (Continued)

Nineteenth Judicial District Court
JoAnn Bruce, Judicial Administrator
222 St. Louis Street, Sixth Floor
Baton Rouge, LA 70802

Capital Region Planning Commission
Don Neisler, Executive Director
333 North 19th Street
P.O. Box 3355
Baton Rouge, LA 70821

Nineteenth Judicial District Indigent
Defender Board
Michael Mitchell
333 St. Louis Street
Baton Rouge, LA 70802

East Baton Rouge Parish Family Court
Ronnie Bullion, Judicial Administrator
222 St. Louis Street, Seventh Floor
Baton Rouge, LA 70802

East Baton Rouge Parish Juvenile Court
Donna Carter, Judicial Administrator
8333 Veterans Memorial Boulevard
Baton Rouge, LA 70807

Central Fire Protection District
11646 Sullivan Road
Baton Rouge, LA 70818

East Baton Rouge Parish Coroner
Dr. Louis Cataldie
222 St. Louis Street, Fifth Floor
Baton Rouge, LA 70802

St. George Fire Protection District
13686 Perkins Road
Baton Rouge, LA 70810

Capital Transportation Corporation
Deborah A. Moore, General Manager, CEO
2250 Florida Boulevard
Baton Rouge, LA 70802

E.B.R. Parish Fire Protection District No. 6
7878 Prescott Road
Baton Rouge, LA 70812

Eastside Fire Protection District
15094 Old Hammond Highway
Baton Rouge, LA 70816-1243

Related Organizations

City-Parish officials are also responsible for appointing members of the boards of other organizations. City-Parish's accountability does not extend beyond making the appointments. The following agencies are related organizations to City-Parish government. Each organization's financial statements can be obtained at their respective administrative offices listed as follows:

Gas Utility Service District
Arlene Norwood, Office Manager
10633 Zachary-Deerford Road
Zachary, LA 70791-9304

East Baton Rouge Housing Authority
Joseph F. Johnson, Executive Director
4546 North Street
Baton Rouge, LA 70806

Baton Rouge Recreation and Park Commission
(BREC)
Mike Proctor, Finance Director
P.O. Box 15887
Baton Rouge, LA 70895

The following three agencies are non-profit corporations established pursuant to State Statutes to finance debt for various public purposes within East Baton Rouge Parish. The Metropolitan Council appoints the board members of each respective agency. Each agency is fiscally independent from the City-Parish, issues its debt, approves its budgets, and sets its rates and charges. The primary government has no authority to remove board members, designate management, or approve or modify rates. The City-Parish is not obligated in any manner for the debt issues of these agencies. Financial statements for these agencies can be obtained at the following addresses:

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EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

a. Financial Reporting Entity (Continued)

Related Organizations (Continued)

Hospital Service District No. 1
David Verinder, Chief Financial Officer
Lane Memorial Hospital
6300 Main Street
Zachary, LA 70791

East Baton Rouge Mortgage Finance Authority
Sidney Longwell, Jr., Chairman
8555 United Plaza Boulevard
Suite 207, Four United Plaza
Baton Rouge, LA 70809-2251

Industrial Development Board
(No Financial Transactions)

b. Basis of Presentation

The City-Parish's **basic financial statements** consist of the government-wide statements on all of the non-fiduciary activities of the primary government and its component units and the fund financial statements (individual major fund and combined non-major fund). The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City-Parish has elected not to follow subsequent private-sector guidance.

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The government-wide financial statements include the statement of net assets and the statement of activities for all non-fiduciary activities of the primary government and the total for its component units. As a general rule, the effect of interfund activity has been removed from these statements. Exceptions to the general rule are payments between the enterprise funds to other various functions of government for charges such as sewer fees and contributions between the primary government and its component units which are reported as external transactions. The government-wide presentation focuses primarily on the sustainability of the City-Parish as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Governmental Activities represent programs which normally are supported by taxes and intergovernmental revenues.

Business-Type Activities are financed in whole or in part by fees charged to external parties for goods and services.

The primary government is reported separately from the legally separate component units as detailed in section (a) of this note.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are not allocated by function for financial reporting in this statement; however, certain indirect costs have been directly allocated as administrative fees to grants and special fund programs. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. This includes internally dedicated resources such as a restricted property tax.

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EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

b. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS:

The fund financial statements are very similar to the traditional government fund statements as presented by governments prior to the issuance of GASB 34. Emphasis is now on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

The daily accounts and operations of the City-Parish continue to be organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds of the primary government are grouped, into generic fund types and three broad fund categories as follows:

Governmental Activities Presented as Governmental Funds in the Fund Financial Statements:

General Fund -- The General Fund is the general operating fund of the City and Parish. The General Fund accounts for all financial resources except those required to be accounted for in other funds. The General Fund is always a major fund.

Special Revenue Funds -- Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. There are no special revenue fund major funds.

Debt Service Funds -- Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. There are no debt service fund major funds.

Capital Projects Fund -- The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds) and is reported as a major fund.

Proprietary Funds:

Enterprise Funds -- Enterprise funds are used to account for operations: (a) that are financed and operated similarly to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise funds are presented in the business-type activities column in government-wide financial statements and the major funds section of the basic financial statements. The two enterprise funds reported as major funds in the fund financial statements are as follows:

The Greater Baton Rouge Airport District Fund accounts for the operation of the Baton Rouge Metropolitan Airport, a commercial and general aviation facility principally financed by air carrier fees and airport related services.

The Comprehensive Sewerage System Fund accounts for the provision of sewer services and sewer treatment services to the residents of the entire parish. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, and billing and collection of a user fee.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
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EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

b. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued):

Proprietary Funds (Continued):

Internal Service Funds -- Two internal service funds are used by the government to account for: (1) financing the replacement of motorized equipment, and (2) to maintain and supply fuel for motorized vehicles and heavy equipment to various departments or agencies of the City-Parish, or to other governments, on a cost-reimbursement basis. The internal service fund totals are presented as part of the proprietary fund financial statements. Since the principal users of the internal service funds are the City-Parish governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. To the extent possible, the cost of these services are reflected in the appropriate functional activity.

Fiduciary Fund:

Trust Fund -- The Employees' Retirement System Pension Trust Fund (a blended component unit) is used to account for the accumulation of contributions for a defined-benefit cost-sharing multiple-employer pension plan to provide retirement benefits to qualified employees. The pension trust fund is presented in the funds financial section. Since by definition these assets are being held for the benefit of employees and cannot be used to address activities or obligations of this government, this fund is not incorporated into the government-wide statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c. Basis of Accounting and Measurement Focus

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied.

FUND FINANCIAL STATEMENTS:

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting.

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Charges for services, fines and forfeits, and most governmental miscellaneous revenues, including investment earnings are recorded as earned since they are measurable and available. The City-Parish definition of available means expected to be received within sixty days of the end of the fiscal year.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
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EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

c. Basis of Accounting and Measurement Focus (Continued)

FUND FINANCIAL STATEMENTS (Continued):

Nonexchange transactions, in which the City-Parish receives value without directly giving value in return, includes sales tax, property tax, special assessments, grants, entitlements, and donations. Property taxes are considered measurable in the calendar year of the tax levy if collected soon enough to meet the availability criteria. Sales taxes and gross receipts business taxes are considered "measurable" when the underlying transaction occurs and meets the availability criteria. Anticipated refunds of such taxes are recorded as fund liabilities and reductions of revenue when they are measurable and valid. Special Assessments are recognized as revenues only to the extent that individual installments

are considered current assets in the governmental fund types. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources can be used.

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for the following: (1) principal and interest on long-term debt are recorded when due, and (2) claims and judgments, group health claims, arbitrage payable, net pension obligation and compensated absences are recorded as expenditures in the governmental fund type when paid with expendable available financial resources. Allocations of cost such as depreciation and amortization are not recognized in the governmental funds.

All proprietary funds and pension trust funds are accounted for on a flow of economic resources measurement focus. Proprietary funds are maintained on the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

d. Budgetary Data

BUDGET POLICIES AND BUDGETARY ACCOUNTING

The Plan of Government for the City-Parish outlines procedures for adopting a budget for the General, Special Revenue, and Debt Service Funds of the primary government:

The Finance Department compiles for the Mayor-President estimates of revenues and requests for appropriations of the annual budget.

No later than November 5, the Mayor-President's budget is submitted to the Metropolitan Council for possible revision and adoption.

The Council conducts public hearings on the budget, which must be adopted by December 15, to become effective January 1.

In no event shall the total appropriations exceed total anticipated revenues taking into account the estimated surplus or deficit at the end of the current fiscal year.

Budgets for the Capital Projects Fund do not necessarily follow the time schedule for other funds, since capital projects may be started and completed at any time during the year. However, the capital project budget must be submitted to the Council for adequate public hearing and adoption on a project-length basis.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
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EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

d. Budgetary Data (Continued)

BUDGET POLICIES AND BUDGETARY ACCOUNTING (Continued)

Annual operating budgets are adopted for the following governmental funds: General, Special Revenue, and Debt Service. All annual appropriations lapse at fiscal year-end. The General Fund is the only major fund for which an annual budget is adopted, therefore, it is the only budget presentation in the basic financial statements. The original budget column on the budget presentation includes the adjustments necessary to bring forward appropriations for both unspent projects of a continuing nature and legal encumbrances at the end of the last fiscal year.

Budgets of the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) except for the following deviations: (1) On the budget basis, encumbrances are considered expendable from current appropriations and are reported as expenditures in order to reserve appropriations. (2) Capital lease payments are recorded as departmental expenditures on the budget basis, while on the GAAP basis they are reported as debt service expenditures. Capital leases, on the GAAP basis, represent acquisitions of general fixed assets with the value of the assets reported as departmental expenditures and other financing sources. (3) Housing and Urban Development (HUD) loans to program recipients are reported as expenditures on the budget basis to facilitate reporting in accordance with federal regulations. The loans are recorded as "loans receivable" on the GAAP basis with a corresponding reservation of fund balance.

In accordance with The Plan of Government, appropriations, in addition to those contained in any current expenditure budget, shall be made only on the recommendation of the Mayor-President, and only if the Director of Finance certifies that there is available an unappropriated cash surplus sufficient to meet such appropriations. Appropriations at year-end normally lapse, except for those projects of a continuing nature which remain open until the projects are completed or abandoned and are shown on the Balance Sheet as Fund Balance-Designated for Unencumbered Appropriations. Such appropriations for continuing projects carried forward from 2000 to 2001 totaled \$9,280,320 for the General Fund, which is included in the original budget column. The level of budget control is at the fund, department or project level, and expenditures/encumbrances may not exceed appropriations. Should additional appropriations be required, interdivisional transfers may be authorized by the Mayor-President. At year-end, interdepartmental transfers may be made at the request of the Mayor-President with approval of the Council. Additional appropriations from fund balance or increases in estimated revenues must be approved by the Council. In accordance with The Plan of Government, if the Mayor-President shall at any time ascertain that there will not be for the parish, the city, or the districts, sufficient funds to meet total appropriations, it shall be his duty to revise appropriations. During 2001, the General Fund budget was increased by \$1,812,125 as reflected in the revised budget column of the budget presentation and as discussed in the Management's Discussion and Analysis section of this report.

Formal budgetary integration is used for management control in the accounting records during the year for the governmental fund types. The Capital Projects Fund project appropriations are initiated by project budgets rather than annual budgets, and accountability is controlled on the project-life basis.

ENCUMBRANCES

Encumbrances representing purchase orders, contracts or other commitments are recorded in budgetary funds to reserve portions of applicable appropriations. Encumbrances are part of the budgetary process and are included in actual expenditures when a comparison with budget is necessary. Encumbrances at year-end are not considered expenditures in the financial statements presented on the GAAP basis.

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EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities, and Fund Equity

CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents for the primary government includes the payroll cash account, cash for insurance, cash for juror and witness fees, cash on hand, petty cash, cash for the Greater Baton Rouge Parking Authority, cash for East Baton Rouge Sewerage Commission, cash for all sinking funds and debt service reserve funds on all City and Parish Public Improvement Sales Tax Revenue Bonds, and each individual fund's share of the consolidated cash account.

A single consolidated bank account has been established in a local bank into which monies are deposited and from which most disbursements are made. In addition, investment purchases are charged and maturities are deposited to the consolidated bank account. The purpose of this consolidation is to reduce administrative costs and provide a single cash balance available for the maximization of investment earnings. Each fund shares in the investment earnings according to its average cash and investments balance, prorated between funds. Cash is transferred from those funds with available cash resources to cover any negative cash balances in other funds at year-end. In addition, an imprest bank account is used for disbursements of payrolls, and separate accounts have been established for the Greater Baton Rouge Parking Authority, the East Baton Rouge Sewerage Commission, and City and Parish Sales Tax Revenue Bonds as required by the bond indentures for related bond issues.

The investment policies of the City-Parish are governed by State Statutes and bond covenants. Additional details on authorized investments of City-Parish primary government and component unit funds are disclosed in Note 3(b).

Cash, Cash Equivalents and Investments for the Employees' Retirement System are not included in the City-Parish's consolidated bank account. This retirement system is considered part of the City-Parish primary government but operates a separate bank account and controls its own disbursements and investments.

For purposes of the Statement of Cash Flows, cash equivalents for each fund include demand deposit account balances, repurchase agreements, certificates of deposit and U.S. government securities with maturities of three months or less from date purchased.

Investments are reported at fair value except for: (1) short-term and money market investments, consisting primarily of U.S. treasury obligations with a maturity of one year or less at time of purchase, which are reported at cost and (2) the Louisiana Asset Management Pool (LAMP) investment, which is a local government 2a7-like pool administered by a non-profit corporation organized under State of Louisiana law, which is permitted to be carried at amortized cost.

Securities traded in a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Unrealized gains and losses on investments recorded at fair value are included in investment income.

RESTRICTED ASSETS

Certain bond proceeds and debt service sinking funds of the Greater Baton Rouge Airport Authority and the Comprehensive Sewerage System Enterprise Funds are legally restricted as to purpose. These assets have been classified as restricted assets on the Statement of Net Assets since the use of these funds are limited by applicable bond resolutions. In addition, the Greater Baton Rouge Airport Fund shows an additional net asset restriction for unappropriated passenger facility charges and unspent restricted grant proceeds. Impact fees in the Comprehensive Sewerage System Fund are restricted to future capital improvements in the impact district.

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EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities, and Fund Equity (Continued)

INVENTORIES AND PREPAID ITEMS

Inventories are stated at cost using the average price method. In the primary government's governmental fund types, inventoried items are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

INTERFUND RECEIVABLES AND PAYABLES

Short-term cash borrowing between funds bears interest at the prevailing consolidated cash rate of return and is considered temporary in nature. These amounts are reported as "due to/from other funds." Long-term interfund loans are recorded as "advances to/from other funds" along with a fund balance reserve account to properly indicate that the amount is not available for appropriation in governmental fund types. Repayments are credited to the receivable with a corresponding reduction of the fund balance reserve. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

ACCOUNTS RECEIVABLE

Accounts receivable are reported net of an allowance for uncollectibles in business-type activities. Major accounts receivable are recorded for: (1) sewer user fees in the Comprehensive Sewerage System Enterprise Fund; (2) airline landing fees, rentals, and miscellaneous charges for services in the Greater Baton Rouge Airport Authority Enterprise Fund; and (3) waste disposal fees at the landfill recorded in the Solid Waste Disposal Facility Enterprise Fund. Uncollectible revenues are estimated at approximately ½ percent for the sewer user fees. Uncollectible amounts for airport and waste disposal fees are historically immaterial and no allowances are recorded.

CAPITAL ASSETS

Capital assets, which include land and land improvements, buildings, equipment, and infrastructure assets (streets, roads, bridges, canals and sewer and drainage systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capitalization thresholds are defined by the City-Parish in the official accounting policies and procedures as follows:

- Movable capital assets with a cost of \$5,000 or more per unit and a useful life of at least two years.
- Land and land improvements purchased with a minimal value of \$50,000.
- Buildings and building improvements that extend the useful life of a building with a value of \$100,000.
- Individual purchased infrastructure improvements with a value of \$100,000.
- Donated infrastructure systems with a value of \$500,000.

All assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value to the asset or materially extend its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized at completion of construction projects. For capitalization purposes, projects are considered substantially complete when 80% of the project has been constructed. At this point the project costs are moved out of construction work in progress and capitalized.

Depreciation on all capital assets, excluding land and improvements, is calculated on the straight-line method over the following estimated useful lives:

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities, and Fund Equity (Continued)

CAPITAL ASSETS (Continued)

<u>Type of Capital Assets</u>	<u>No. of Years</u>
Buildings and Building Improvements	25-40
Runways and Improvements	25
Land Improvements-Structure	10
Furniture	10
Machinery and Equipment	5-10
Automobiles	3
Infrastructure	25

All infrastructure assets purchased by the primary government since 1960 are recorded as capital assets and depreciated accordingly. Certain improvements, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and other assets acquired from subdivision developers, between year 1980 and year 2000, have not been capitalized as of December 31, 2001. GASB 34 allows the City-Parish until fiscal year 2005 to record and depreciate these donated infrastructure assets. The net financial effect of recording these infrastructure assets will be an increase in net capital assets on the government-wide statements. Donated infrastructure accepted into the City-Parish's maintenance program for calendar year 2001 has been capitalized and depreciated in accordance with the above capitalization policy.

The City-Parish capitalizes interest cost (net of interest earned) during the construction phase of major capital projects of proprietary funds in accordance with FASB Statements No. 34, *Capitalization of Interest Cost*, and No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*. The objectives of capitalizing interest are: (a) to obtain a measure of acquisition cost that more closely reflects the enterprise's total investment in the asset, and (b) to charge a cost that relates to the acquisition of a resource that will benefit future periods against the revenues of the period benefitted. The amount of interest cost capitalized on major capital projects acquired/constructed with proceeds of restricted tax-exempt debt includes all interest cost of the borrowing less any interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings from the date of the borrowing until the assets are ready for their intended use. Interest cost capitalized for the period ending December 31, 2001, is disclosed by project in Note 6, Changes in Capital Assets.

LONG-TERM DEBT

In the government-wide statement of net assets and in the proprietary fund types' financial statements, long-term debt and other long-term obligations are reported as liabilities. In proprietary funds bond premiums, discounts, and issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable costs are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current financial period. The face amount of the debt issue is reported as "other financing sources." Premiums received on debt issuances are reported as "other financing sources" and discounts on debt are reported as "other financing uses."

Excess revenue contracts, loans, and notes are obligations of the general government and payment of these debts is normally provided by transfers from the General Fund to the Excess Revenue and Limited Tax Fund.

Sales tax revenue bonds are secured by sales tax revenues. For those issues not associated with enterprise fund operations, payment of the debt is provided by sales tax revenue recognized in the appropriate debt service fund. Sales tax revenue bond issues associated with enterprise funds are accounted for in the relevant enterprise fund. Parking garage revenue bonds and any future sewer sales tax revenue bonds are payable from earnings of operations and are accounted for in their respective enterprise fund.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities, and Fund Equity (Continued)

COMPENSATED ABSENCES

All City-Parish primary government classified and non-classified regular employees earn vacation leave in varying amounts according to the employee's number of years of continuous service up to a maximum of five years accrual.

All City-Parish primary government classified and non-classified regular employees earn sick leave in varying amounts according to the employee's number of years of continuous service. Sick leave is accumulated without time limitations. Sick leave is payable only upon death or retirement.

Payments for accrued sick and vacation leave are limited to a combined 120 days under all circumstances except death. Upon death, the maximum accrued leave payable is 120 days sick leave and the equivalent of two years of accrued vacation. Vacation and sick leave may also be converted into time worked for retirement purposes. Per Metropolitan Council Ordinance 85011 effective January 1, 1988, the Employees' Retirement System assumed liability for separation benefits (accrued sick and vacation leave) for employees who retire or who die. At December 31, 2001, the City-Parish retains approximately 14.02% of the total liability for accumulated sick and vacation leave per calculations performed by an outside actuary consultant.

City-Parish employees of certain job classifications may accrue compensatory time in lieu of overtime payment up to 30 days for regular employees and 60 days for public safety employees. Compensatory leave is paid by the City-Parish upon termination, resignation, retirement or death, up to the maximum accrual amounts. City-Parish retains 100% of the compensatory leave liability as of December 31, 2001.

GASB Statement No. 16, *Accounting for Compensated Absences*, requires governments to accrue compensated absences only to the extent it is probable that the employer will compensate employees for benefits through cash payments conditioned on the employees' termination or retirement. The City-Parish has recorded the following liabilities as of December 31, 2001, for certain salary-related benefits associated with the payment of compensated absences:

1. The actuarially determined percentage of accrued vacation for each employee valued at the employees' current rate of pay.
2. Using the "termination pay method," the value of the City-Parish's liability for sick leave as of December 31, 2001, is limited to 1/3 of the accumulated sick leave accrued at year-end for DROP participants. No sick leave is recorded in the financial statements for active employees since the amount applicable under GASB Statement No. 16 is immaterial.
3. A total of 100% of the compensatory leave for each employee valued at the employees' current rate of pay.
4. Applicable percentages of retirement contribution, social security, and Medicare have been added to the above accrued leave.

In the government-wide financial statements and the proprietary fund types fund statements, the total compensated absences liability is recorded as an expense and a long-term obligation and allocated on a functional basis. A current liability is recorded for the value of one year's accrual of leave in the proprietary funds fund statements. In accordance with GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, (issued in March of 2000), no compensated absences liability is recorded at December 31, 2001, in the governmental fund-type fund financial statements.

Details of the compensated absences liability for the City-Parish discrete component units can be found in the separately issued audit reports of each component unit.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities, and Fund Equity (Continued)

ACCOUNTING FOR MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

Municipal Solid Waste Landfill (MSWLF) Closure and Postclosure Care Costs are accounted for in accordance with guidelines recommended by Section L10 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

The Solid Waste Disposal Facility Enterprise Fund recognizes (based on MSWLF use) that portion of the estimated total current cost of MSWLF closure and postclosure care as an expense and as a liability in each period that it accepts solid waste. A complete explanation of the liability and its calculation is referenced in Note 19.

RESERVES AND DESIGNATIONS OF EQUITY

Some portions of fund balance in the governmental fund types are reserved to indicate that a portion of equity is legally restricted to a specific future use and is not available for appropriation or expenditure. Reserved for Subsequent Year Expenditures is fund balance that has been budgeted as a source in the 2002 Operating Budget. Designated portions of fund balance indicate tentative future spending plans, which may be changed and are subject to subsequent authorization before expenditures can be made. "Designated for Unencumbered Appropriations" are those portions of incomplete projects that are to be carried forward and become actual appropriations in the following year. Other designations are made for specific indicated purposes included in the title and require a council appropriation in subsequent years.

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds and the government-wide financial statements during the reporting period. Actual results could differ from these estimates.

f. Change in Accounting Principles and Restatement of Prior Year Fund Equity

For the fiscal year ended December 31, 2001, the City-Parish Government implemented the following GASB Standards:

Statement No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*
Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for
State and Local Governments*
Statement No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues*
Statement No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for
State and Local Governments: Omnibus*
Statement No. 38 - *Certain Financial Statement Note Disclosures*
Interpretation No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in
Governmental Fund Financial Statements*

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

f. Change in Accounting Principles and Restatement of Prior Year Fund Equity (Continued)

During 2001, the City-Parish Government revised its policy for capitalizing assets by raising the capitalization threshold on movable capital assets to \$5,000. Thresholds for capitalization of assets are included in the Capital Assets section of this note. These thresholds were part of a recommendation for governments with more than \$100,000,000 in assets, developed by the Louisiana Legislative Auditor's Local Government GASB 34 Task Force to provide guidance on implementation of GASB 34. The City-Parish removed all items previously recorded with a historical cost between \$1,000 and \$4,999 effective January 1, 2001.

The transition from governmental fund balances/proprietary funds total equity to net assets for December 31, 2000, is presented below:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Total fund balances/fund equity, as previously reported	\$ 237,423,548	\$ 400,771,559	\$ 638,195,107
Prior year adjustment - Over-recognition of bond proceeds	(4,356,127)	--	(4,356,127)
Internal service net assets reclassified to governmental activities	12,936,360	(12,936,360)	--
Additional GASB 34 governmental fund revenue accruals	2,649,405	--	2,649,405
Capital assets, net of depreciation	284,597,795	--	284,597,795
Capital assets - capitalization threshold adjustment	(5,902,250)	--	(5,902,250)
General long-term debt	(185,396,908)	--	(185,396,908)
Additional GASB 34 interest payable	<u>(3,738,741)</u>	<u>--</u>	<u>(3,738,741)</u>
Restated net assets, December 31, 2000	<u>\$ 338,213,082</u>	<u>\$ 387,835,199</u>	<u>\$ 726,048,281</u>

NOTE 2 - Stewardship, Compliance and Accountability

a. Deficit Fund Balance and Unrestricted Net Assets of Individual Funds

Greater Baton Rouge Airport District:

Unrestricted net assets of the Greater Baton Rouge Airport District at December 31, 2001, reflected a negative \$2,015,425 due to the fact that most of this fund's assets are restricted capital assets or restricted cash from the federal government that must be spent on airport improvements. For operating purposes the District has an airport-airline lease agreement, whereby all surplus and shortages in operating cash at year-end, exclusive of certain capital improvements, are shared with the airlines through increased or decreased landing fees in subsequent years. This fund is the only fund in the City-Parish system that is self-supporting from program revenues. (See Exhibit A-2.)

Greater Baton Rouge Parking Authority:

The Greater Baton Rouge Parking Authority (a non-major proprietary fund) shows negative unrestricted net assets in the amount of \$543,500. Management policy is to provide a transfer out from the General Fund for the amount of the net loss, exclusive of depreciation. The negative unrestricted net asset amount is primarily the result of prior years accumulated depreciation. In addition, debt of the parking facility will be retired in year 2003 which should create an operating surplus in future years to offset the negative unrestricted net assets.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 2 - Stewardship, Compliance and Accountability (Continued)

a. Deficit Fund Balance and Unrestricted Net Assets of Individual Funds (Continued)

Non-major Governmental Funds:

Baton Rouge Fire Department Pay Enhancement Fund:

Created effective January 1, 2001, the Baton Rouge Fire Department Pay Enhancement Fund was established for an increase in wages for municipal fire personnel funded by a special levy of ad valorem tax. The fund incurred a deficit in fund balance of \$87,297 resulting from the fact that tax levy is billed at the end of the year while expenses are incurred throughout the year creating cash flow difficulties. Future year property taxes should exceed expenditures allowing for a reduction of the deficit.

b. Expenditures Exceeding Appropriations (Non-GAAP Budgetary Basis)

Excess of expenditures and encumbrances over appropriations in individual funds or departments within the funds occurred as follows:

	<u>Revised Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance- Favorable (Unfavorable)</u>
General Fund:			
General government:			
Registrar of Voters	\$ 437,652	\$ 465,498	\$ (27,846)
Public works - administration, engineering, warehouse and building maintenance	11,969,257	12,671,218	(701,961)
Public safety:			
Sheriff - correctional institution	3,742,340	3,785,632	(43,292)
Transfers out:			
City General Sub Fund	16,768,187	16,845,980	(77,793)

The excess of expenditures and encumbrances over appropriations in Registrar of Voters was caused by expenditures in inventoried supplies exceeding projections. These purchases were budgeted as capital outlay but did not meet the revised criteria of the capitalization thresholds.

The excess of expenditures and encumbrances over appropriations in the general government function of Public Works was offset by excess appropriations of the department in other functions. Expenditures in contractual services exceeded projections.

The excess of expenditures and encumbrances over appropriations in Sheriff - Correctional Institution was the result of projections exceeding actual collections for state prisoner reimbursements.

The excess of expenditures over appropriations in transfers out to the City General Sub Fund was caused by expenditures for the Local Service Agreement exceeding budget. The amount of the operating transfer from the parish to the city above the 2001 budgeted amount was increased when the parish generated additional funds that were transferred to the city. A legally binding Local Services Agreement exists between the City of Baton Rouge and the Parish of East Baton Rouge whereby they engage jointly to provide certain services or activities, and fulfill certain obligations as provided in the *Plan of Government*. In addition, the Local Service Agreement provides for the joint parties to share equitably the savings, operating and financial benefits which accrue from the joint exercise of such activities.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 2 - Stewardship, Compliance and Accountability (Continued)

c. Budgetary - GAAP Reporting Reconciliation

Annual budgets are adopted for the General Fund, and the non-major governmental funds. Budgets for these funds are prepared on the modified accrual basis of accounting. Budgetary comparisons presented in this report are on the budgetary basis.

As discussed in Note 1(d) certain adjustments are necessary to compare actual data on a GAAP versus budget basis. Adjustments reconciling the excess (deficit) of revenues and other financing sources over (under) expenditures and other uses at year end on the GAAP basis to the budgetary basis are as follows:

	<u>General Fund</u>	<u>Non-major Governmental Funds</u>
Net change in fund balances (Budget Basis)	\$8,017,148	\$ 589,018
Adjustments:		
To adjust for encumbrances	1,230,695	7,163,426
To adjust for U.S. Housing and Urban Development loans receivable	<u> -- </u>	<u> (258,246) </u>
Net change in fund balances (GAAP Basis)	<u><u>\$9,247,843</u></u>	<u><u>\$7,494,198</u></u>

The budgetary basis accounts for encumbrances as expenditures in the year in which the funds are encumbered. However, on the GAAP basis, expenditures for encumbered funds are recognized when the obligation is liquidated. Therefore, a timing difference exists between budgetary practices and GAAP. In accounting for grant funds, fund balance is not reserved for the grantor portion of encumbrances. Accordingly, grant encumbrances must be added to the reserve for encumbrances in calculating the adjustment necessary to reconcile GAAP basis to budgetary basis. For non-major governmental funds, the adjustment for encumbrances is calculated as follows:

Reserve for encumbrances	\$3,510,374
Grant encumbrances	<u>3,653,052</u>
Total encumbrances	<u><u>\$7,163,426</u></u>

NOTE 3 - Cash, Cash Equivalents and Investments

The City-Parish maintains a consolidated cash management pool that is available for use by all funds except the Employees' Retirement System Pension Trust Fund. Each fund type's portion of the consolidated cash pool is displayed on the Statement of Net Assets as "Cash and cash equivalents" or "Investments."

a. Deposits - Primary Government

City-Parish deposits (including demand deposit accounts and certificates of deposits) at December 31, 2001, for the City-Parish primary government are summarized as follows:

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 3 - Cash, Cash Equivalents and Investments (Continued)

a. Deposits - Primary Government (Continued)

Primary government excluding Employees' Retirement System Pension Trust Fund:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category 1	\$202,349,246	\$206,473,240
Category 2	--	--
Category 3	--	--
Total	<u>\$202,349,246</u>	<u>\$206,473,240</u>

Certificates of deposit with a maturity of 90 days or more are classified on the Statement of Net Assets as "Investments" (\$97,607,504). The remaining carrying amount of \$104,741,742 is classified as "Cash and cash equivalents."

The City-Parish's bank balance of deposits at December 31, 2001, is categorized above in three levels of credit risk. Category 1 includes bank balance which is insured or collateralized with securities held by the City-Parish or its agent in the City-Parish's name. Category 2 includes bank balance which is collateralized with securities held by the pledging financial institution's trust department or agent in the City-Parish's name. Category 3 includes bank balance which is uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City-Parish's name.

The carrying amount of deposits does not include a cash on hand balance of \$1,809,776 which is not on deposit with a financial institution. Cash on hand includes petty cash and cash received but not yet deposited at year-end.

Employees' Retirement System Pension Trust Fund:

At December 31, 2001, the carrying amount of the Retirement System's cash was \$630,708 and the bank balance was \$702,195 of which \$100,000 was covered by Federal Depository Insurance. The remainder was collateralized by securities held by the System's agent, Bank One, N.A., Baton Rouge, LA in a custodial account in the Retirement System's name. (Category 1) The carrying amount is classified on the Statement of Fiduciary Net Assets as "Cash and cash equivalents."

b. Cash Equivalents and Investments - Primary Government

The City-Parish is authorized by LRS 39:1211-1245 and 33:2955 to invest temporarily idle monies in the following:

1. United States Treasury Bonds
2. United States Treasury Notes
3. United States Treasury Bills
4. Obligations of U.S. Government Agencies, including such instruments as Federal Home Loan Bank bonds, Government National Mortgage Association bonds, or a variety of "Federal Farm Credit" bonds.
5. Fully collateralized certificates of deposit issued by qualified commercial banks and savings and loan associations located within the State of Louisiana.
6. Fully collateralized repurchase agreements.
7. Fully collateralized interest-bearing checking accounts.
8. Mutual or Trust Fund institutions which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States Government or its agencies.
9. Any other investment allowed by state statute for local governments.
10. Louisiana Asset Management Pool (LAMP).

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 3 - Cash, Cash Equivalents and Investments (Continued)

b. Cash Equivalents and Investments - Primary Government (Continued)

Proceeds from the issuance of revenue bonds for the Greater Baton Rouge Parking Authority, and sales tax revenue bonds for the City of Baton Rouge and Parish of East Baton Rouge are invested according to guidelines set forth in the bond resolutions. The proceeds from the issuance of the Greater Baton Rouge Parking Authority Bonds are to be invested in obligations of or guaranteed by the State of Louisiana or the United States of America; obligations issued or guaranteed by any instrumentality or agency of the United States of America; or interest-bearing deposits in any bank or trust company provided that all such deposits shall be insured or collaterally secured in the manner required by the Act and the laws of Louisiana for the securing of such deposits.

Proceeds from the issuance of the Parish's 1991, 1993, 1995, 1996, 1998, 1999, and 2001 Public Improvement Sales Tax Bonds are authorized to be invested in direct obligations of the United States of America, time certificates of deposit secured by direct obligations of the United States of America, and obligations issued or guaranteed by the federal government.

Authorized investments from the proceeds of the issuance of the City's 1992, 1993, 1997, 1998, and 2001 Public Improvement Sales Tax Revenue Bonds are in general, government securities, certificates of deposit collateralized by government securities, and bonds issued by any state or political subdivision, provided that the bonds are rated in one of Moody's Investors Service or Standard and Poor's Corporation's two highest rating categories. All of the qualified investments must have maturities of five years or less at the time of investment.

City-Parish investments for the primary government at December 31, 2001, are categorized below in order to give an indication of the level of risk assumed by the entity at year-end.

1. Primary Government excluding Employees' Retirement System Pension Trust Fund:

	<u>Category 1</u>	<u>Carrying Amount</u>	<u>Amortized Cost/ Fair Value</u>
U.S. Government Securities	\$16,983,252	\$ 16,983,252	\$ 17,186,591
State and Local Government Series	4,958,900	4,958,900	4,958,900
Corporate Stocks	777,947	777,947	777,947
Repurchase Agreements	<u>2,707,072</u>	2,707,072	2,707,072
	<u>\$25,427,171</u>		
Investments not subject to categorization:			
Louisiana Asset Management Pool (LAMP)		<u>180,816,899</u>	<u>180,816,899</u>
Total		<u>\$206,244,070</u>	<u>\$206,447,409</u>

Investments with a maturity of less than 90 days are classified on the Statement of Net Assets as "Cash and cash equivalents" (\$181,850,217). The remaining carrying amount of \$24,393,853 is classified on the Statement of Net Assets as "Investments." The difference between carrying amount and amortized cost/fair value of \$203,339 is included in "Receivables - net" on the Statement of Net Assets. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments in U.S. Treasury obligations that have a remaining maturity at time of purchase of one year or less, and investments in 2a7-like pools are stated at amortized cost which is not materially different from fair value. All other investments are shown at fair value.

The \$180,816,899 invested in LAMP is owned by the Parish's pooled account (\$179,000,000), and the East Baton Rouge Sewerage Commission (\$1,816,899). In accordance with GASB Codification Section 150.165, these investments are not categorized above because they are not evidenced by securities that exist in physical or book entry form.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 3 - Cash, Cash Equivalents and Investments (Continued)

b. Cash Equivalents and Investments - Primary Government (Continued)

1. Primary Government excluding Employees' Retirement System Pension Trust Fund (Continued):

LAMP, a local government investment pool, is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and fair value. For purposes of determining participants' shares, investments are valued at amortized cost. The fair value of the participant's position is the same as the value of the pool shares. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

2. Employees' Retirement System Pension Trust Fund:

	<u>Category 1</u>	Category Rating Not Required	Fair Value
U.S. Treasury Bonds	\$ 15,557,495	\$ --	\$ 15,557,495
U.S. Agency Notes	52,702,283	--	52,702,283
Corporate Bonds	61,986,427	--	61,986,427
Corporate Stocks	111,249,665	--	111,249,665
Corporate Stock Index	--	288,731,972	288,731,972
International Equity	--	84,014,529	84,014,529
Enhanced Bond Index Fund	--	152,447,365	152,447,365
Repurchase Agreements	<u>28,200,000</u>	<u>--</u>	<u>28,200,000</u>
Total	<u>\$269,695,870</u>	<u>\$525,193,866</u>	<u>\$794,889,736</u>

The fair value of \$794,889,736 is classified on the Statement of Fiduciary Net Assets as "Investments."

Category 1 includes investments that are insured or registered or for which the securities are held by the City-Parish or its agent in the City-Parish's name.

c. Deposits - Discretely Presented Component Units

The discretely presented component unit agencies are required to invest idle funds within the same state statute as the primary government. Component unit deposits (including demand deposit accounts and certificates of deposits) at their respective year ends, are categorized below in the three levels of credit risk as explained in section (a) of this note above:

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 3 - Cash, Cash Equivalents and Investments (Continued)

c. Deposits - Discretely Presented Component Units (Continued)

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
District Attorney of the Nineteenth Judicial District	\$ 2,709,433	\$ 2,973,490	\$1,075,000	\$1,898,490	\$ --
Nineteenth Judicial District Court	965,492	1,137,011	100,000	--	1,037,011
E.B.R. Parish Family Court	302,588	302,588	302,588	--	--
E.B.R. Parish Juvenile Court	420,297	464,931	166,797	--	298,134
Nineteenth Judicial District Indigent Defender Board	439,217	495,075	495,075	--	--
E.B.R. Parish Clerk of Court	3,056,868	4,019,935	4,019,935	--	--
E.B.R. Parish Coroner	14,920	14,920	14,920	--	--
St. George Fire Protection District	22,394	28,270	28,270	--	--
Central Fire Protection District	342,344	332,136	100,000	--	232,136
District 6 Fire Protection District	172,994	176,830	176,830	--	--
Eastside Fire Protection District	88,922	88,922	88,922	--	--
Pride Fire Protection District	95,386	95,386	95,386	--	--
Capital Region Planning Commission	393,986	438,571	438,571	--	--
Capital Transportation Corporation	<u>1,093,465</u>	<u>627,365</u>	<u>627,365</u>	--	--
Total Component Units	<u>\$10,118,306</u>	<u>\$11,195,430</u>	<u>\$7,729,659</u>	<u>\$1,898,490</u>	<u>\$1,567,281</u>

For the component unit agencies that carry pledged securities that are considered Category 3 under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the component unit agency that the fiscal agent has failed to pay deposited funds upon demand.

Certificates of deposit with a maturity of 90 days or more are classified on the Statement of Net Assets as "Investments" (\$2,634,110). The remaining carrying amount of \$7,484,196 is classified as "Cash and cash equivalents."

The carrying amounts of deposits do not include a cash on hand balance for E.B.R. Parish Juvenile Court (\$300), Clerk of Court (\$2,225), and Capital Transportation Corporation (\$2,124) which is not on deposit with a financial institution. Cash on hand includes petty cash and cash received but not yet deposited at year-end.

d. Cash, Cash Equivalents and Investments Summary

The following is a reconciliation of the carrying amount of deposits and investments to "Cash and cash equivalents" and "Investments" on the Statement of Net Assets.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 3 - Cash, Cash Equivalents and Investments (Continued)

d. Cash, Cash Equivalents and Investments Summary (Continued)

1.	Primary government excluding Employees' Retirement System Pension Trust Fund	
	Cash and cash equivalents:	
	Deposits	\$104,741,742
	Cash on hand	1,809,776
	Investments	1,033,318
	Louisiana Asset Management Pool	<u>180,816,899</u>
	Sub-total cash and cash equivalents	<u>288,401,735</u>
	Investments:	
	Deposits	97,607,504
	Investments	<u>24,393,853</u>
	Sub-total investments	<u>122,001,357</u>
	Cash, cash equivalents and investments, December 31, 2001	<u><u>\$410,403,092</u></u>
2.	Component units	
	Cash and cash equivalents:	
	Deposits	\$ 7,484,196
	Cash on hand	<u>4,649</u>
	Sub-total cash and cash equivalents	<u>7,488,845</u>
	Investments:	
	Deposits	<u>2,634,110</u>
	Cash, cash equivalents and investments, December 31, 2001	<u><u>\$ 10,122,955</u></u>

NOTE 4 - Property Taxes

The 1974 Louisiana Constitution (Article 7 Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15%; and public service properties, excluding land, are to be assessed at 25% of fair market value. Fair market value is determined by the elected assessor of the parish on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years. Year 2000 was the last reassessment year.

The Sheriff of East Baton Rouge Parish, as provided by State Law (LRS 33:1435), is the official tax collector of general property taxes levied by the Parish and Parish Special Districts. By agreement, the Sheriff is also the tax collector for City property taxes for which he receives a commission of 4.5% of total taxes collected for the City. December tax collections remitted to the City-Parish by the Sheriff in January are reported as "Due From Other Governments."

The 2001 property tax calendar is as follows:

Levy date	December 13, 2000
Millage rates adopted	December 13, 2000
Tax bills mailed	November 30, 2001
Due date	December 31, 2001
Lien date	January 1, 2002

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 4 - Property Taxes (Continued)

State Law requires the Sheriff to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of one and one-fourth percent per month until the taxes are paid (LRS 47:2101). After notice is given to the delinquent taxpayers, the Sheriff is required by the Constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed (LRS 47:2181). Therefore, there are no delinquent taxes at year-end.

Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the entire tax roll less an estimate for uncollectible taxes is recorded as taxes receivable in the current calendar year. Uncollectible taxes are those taxes which based on past experience will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll.

At the governmental fund level: Property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as deferred revenues in the year of levy. Such deferred revenues are recognized as revenue in the fiscal year in which they become available.

At the entity-wide level: Property taxes are recognized in the year of the levy net of uncollectible amounts.

a. Property taxes receivable and estimated uncollectible taxes by fund type for the Primary Government are as follows:

	Property Taxes <u>Receivable</u>	Estimated Uncollectible Property Taxes <u> </u>	Net Property Taxes <u>Receivable</u>
General Fund	\$ 3,273,288	\$ 452,042	\$ 2,821,246
Special Revenue Funds	<u>7,714,188</u>	<u>1,166,962</u>	<u>6,547,226</u>
Total	<u>\$10,987,476</u>	<u>\$1,619,004</u>	<u>\$ 9,368,472</u>

b. Property taxes receivable and estimated uncollectible taxes for the Component Units are as follows:

	Property Taxes <u>Receivable</u>	Estimated Uncollectible Property Taxes <u> </u>	Net Property Taxes <u>Receivable</u>
St. George Fire Protection District	\$5,140,329	\$825,840	\$4,314,489
Brownsfield Fire Protection District	28,469	6,876	21,593
Central Fire Protection District	148,355	20,600	127,755
E.B.R. Parish Fire Protection District No. 6	78,188	14,618	63,570
Eastside Fire Protection District	423,331	11,247	412,084
Alsen-St. Irma Lee Fire Protection District	<u>12,216</u>	<u>2,495</u>	<u>9,721</u>
Total	<u>\$5,830,888</u>	<u>\$881,676</u>	<u>\$4,949,212</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 5 - Federal and State Financial Assistance

a. Grants From Other Governmental Units

Federal and State grant programs represent an important source of funding to finance housing, employment, construction, and social programs which are beneficial to the City and the Parish. These funds are recorded in the Special Revenue, Capital Projects, and Enterprise Funds. A grant appropriation is recorded when an approved contract is authorized with the funding agency through the "Grants Review Process." Receivables are established when expenditures are incurred. The grants normally specify the purpose for which funds may be used and are audited annually in accordance with Office of Management and Budget Circular A-133 under the "Single Audit Concept."

During 2001 and 2000, the following amounts under various grants and entitlements are recorded as revenues, subsidies, or additions to contributions in the accompanying financial statements:

	<u>2001</u>	<u>2000</u>
Primary government:		
Non-major governmental funds	\$30,426,351	\$29,312,154
Capital Projects Fund	3,911,149	7,812,527
Business-type funds:		
Greater Baton Rouge Airport District	14,188,407	12,370,234
Comprehensive Sewerage System Fund	6,150,327	93,825
Non-major business-type funds	<u>944,891</u>	<u>515,316</u>
Total primary government	<u>\$55,621,125</u>	<u>\$50,104,056</u>
Component units:		
District Attorney of the Nineteenth District	\$ 931,448	\$ 912,440
Nineteenth Judicial District Court	69,903	22,963
E.B.R. Parish Juvenile Court	335,778	287,967
Capital Region Planning Commission	643,469	617,022
Brownsfield Fire Protection District	1,115	23,885
Capital Transportation Corporation	<u>5,133,488</u>	<u>5,091,826</u>
Total component units	<u>\$ 7,115,201</u>	<u>\$ 6,956,103</u>

b. On-Behalf Payments for Salaries and Benefits

GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance* requires the City-Parish to report and disclose in the financial statements on-behalf salary and fringe benefit payments made by the State of Louisiana to certain groups of City-Parish employees.

Supplementary salary payments are made by the state directly to certain groups of employees. City-Parish is not legally responsible for these salaries. Therefore, the basis for recognizing the revenue and expenditure (expense) payments is the actual contribution made by the state. For 2001, the state paid supplemental salaries to the following groups of employees of the primary government: fire and law enforcement employees, city court judges, and employees of the Registrar of Voters' Office. The state also paid supplemental salaries for employees of the Nineteenth Judicial District Attorney, judges salaries and benefits for the three court systems and state supplemental salaries of the parish fire protection district component units.

LRS 33:7392 provides for a percentage of property taxes collected in East Baton Rouge Parish to be remitted to the State Municipal Employees' Retirement System (MERS). The statute further provides for MERS to distribute these funds back to the City-Parish Employees' Retirement System and the Cities of Zachary and Baker Retirement Systems.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 5 - Federal and State Financial Assistance (Continued)

b. On-Behalf Payments for Salaries and Benefits (Continued)

On-behalf payments recorded as revenues and expenditures (expenses) in the 2001 financial statements are as follows:

	<u>State Supplemented Salaries</u>	<u>MERS Contribution</u>	<u>Total 2001 On-Behalf Payments</u>
Primary Government:			
Governmental activities	\$4,522,687	\$458,193	\$4,980,880
Business-type activities	<u>81,691</u>	<u>--</u>	<u>81,691</u>
Total primary government	<u>4,604,378</u>	<u>458,193</u>	<u>5,062,571</u>
Component Units:			
District Attorney of the Nineteenth Judicial District	1,338,966	--	1,338,966
Nineteenth Judicial District Court	1,528,775	--	1,528,775
E.B.R. Parish Family Court	436,793	--	436,793
E.B.R. Parish Juvenile Court	218,397	--	218,397
St. George Fire Protection District	255,000	--	255,000
E.B.R. Parish Fire Protection District No. 6	35,320	--	35,320
Brownsfield Fire Protection District	10,800	--	10,800
Central Fire Protection District	<u>36,470</u>	<u>--</u>	<u>36,470</u>
Total component units	<u>3,860,521</u>	<u>--</u>	<u>3,860,521</u>
Total on-behalf payments	<u>\$8,464,899</u>	<u>\$458,193</u>	<u>\$8,923,092</u>

NOTE 6 - Changes in Capital Assets

a. Primary government capital asset activity for the year ended December 31, 2001, was as follows:

	<u>Balance 1/1/2001</u>	<u>Additions</u>	<u>Adjustments and Deletions</u>	<u>Balance 12/31/2001</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land and right-of-way	\$ 19,035,906	\$ 3,199,365	\$ 46,084,453	\$ 68,319,724
Improvements other than buildings and infrastructure-earthen canals	1,950,962	--	--	1,950,962
Construction work in progress	<u>18,579,801</u>	<u>16,541,586</u>	<u>(4,764,220)</u>	<u>30,357,167</u>
Total capital assets not being depreciated	<u>39,566,669</u>	<u>19,740,951</u>	<u>41,320,233</u>	<u>100,627,853</u>
Capital assets being depreciated:				
Buildings	158,384,803	4,170,737	(444,805)	162,110,735
Improvements other than buildings and infrastructure	283,831,687	9,698,401	(36,238,623)	257,291,465
Equipment and equipment under lease	<u>64,979,087</u>	<u>8,179,512</u>	<u>(7,315,968)</u>	<u>65,842,631</u>
Total capital assets being depreciated	<u>507,195,577</u>	<u>22,048,650</u>	<u>(43,999,396)</u>	<u>485,244,831</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 6 - Changes in Capital Assets (Continued)

a. Primary government capital asset activity for the year ended December 31, 2001 (Continued)

	Balance <u>1/1/2001</u>	<u>Additions</u>	Adjustments and <u>Deletions</u>	Balance <u>12/31/2001</u>
Governmental Activities (Continued):				
Less accumulated depreciation for:				
Buildings	\$ (81,196,841)	\$ (5,871,361)	\$ 911,556	\$ (86,156,646)
Improvements other than buildings and infrastructure	(137,294,839)	(8,075,183)	--	(145,370,022)
Equipment	<u>(41,712,756)</u>	<u>(9,749,896)</u>	<u>6,808,290</u>	<u>(44,654,362)</u>
Total accumulated depreciation	<u>(260,204,436)</u>	<u>(23,696,440)</u>	<u>7,719,846</u>	<u>(276,181,030)</u>
Total capital assets being depreciated, net	<u>246,991,141</u>	<u>(1,647,790)</u>	<u>(36,279,550)</u>	<u>209,063,801</u>
Total governmental activities capital assets, net	<u>\$286,557,810</u>	<u>\$18,093,161</u>	<u>\$ 5,040,683</u>	<u>\$ 309,691,654</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land and right-of-way	\$ 54,477,222	\$10,033,615	\$ --	\$ 64,510,837
Construction work in progress	<u>5,139,612</u>	<u>32,996,925</u>	<u>(29,483,911)</u>	<u>8,652,626</u>
Total capital assets not being depreciated	<u>59,616,834</u>	<u>43,030,540</u>	<u>(29,483,911)</u>	<u>73,163,463</u>
Capital assets being depreciated:				
Buildings	94,189,173	5,552,362	--	99,741,535
Improvements other than buildings and infrastructure	606,741,069	14,577,848	(4,790)	621,314,127
Equipment	<u>13,611,897</u>	<u>1,283,426</u>	<u>(3,618,644)</u>	<u>11,276,679</u>
Total capital assets being depreciated	<u>714,542,139</u>	<u>21,413,636</u>	<u>(3,623,434)</u>	<u>732,332,341</u>
Less accumulated depreciation for:				
Buildings	(35,084,881)	(3,409,070)	--	(38,493,951)
Improvements other than buildings and infrastructure	(183,238,468)	(22,716,314)	4,790	(205,949,992)
Equipment	<u>(10,188,029)</u>	<u>(1,208,993)</u>	<u>3,095,828</u>	<u>(8,301,194)</u>
Total accumulated depreciation	<u>(228,511,378)</u>	<u>(27,334,377)</u>	<u>3,100,618</u>	<u>(252,745,137)</u>
Total capital assets being depreciated, net	<u>486,030,761</u>	<u>(5,920,741)</u>	<u>(522,816)</u>	<u>479,587,204</u>
Total business-type activities capital assets, net	<u>\$545,647,595</u>	<u>\$37,109,799</u>	<u>\$(30,006,727)</u>	<u>\$ 552,750,667</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 6 - Changes in Capital Assets (Continued)

b. Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General government	\$ 2,692,607
Public safety	7,875,073
Transportation	8,166,980
Sanitation	6,826
Health and welfare	349,490
Culture and recreation	1,275,067
Conservation and development	536,514
Capital assets held by internal service funds are charged to the various functions based on their usage of the assets	<u>2,793,883</u>
Total depreciation expense -governmental activities	<u><u>\$23,696,440</u></u>

Business-Type Activities:

Airport	\$ 3,872,597
Sewer	20,915,206
Non-major business-type activities	<u>2,546,574</u>
Total depreciation expense -business-type activities	<u><u>\$27,334,377</u></u>

c. Construction work in progress for the governmental activities of the primary government is composed of the following:

	<u>Project Authorization</u>	<u>Capitalized to Date</u>	<u>Balance in Construction Work In Progress 12/31/2001</u>	<u>Committed</u>	<u>Estimated Required Future Financing</u>
Capital Projects Fund:					
1997 Bond Capital Improvements	\$ 19,590,266	\$ 19,250,122	\$ --	\$ 36,927	None
1998A City Bonds Capital Improvements	9,679,247	3,718,125	3,117,547	439,162	None
Miscellaneous Capital Improvements	63,816,587	37,404,332	5,965,706	4,481,927	None
Capital Improvement	60,687,350	48,758,446	3,219,893	3,612,798	None
Road and Street Improvement	79,581,320	24,694,210	15,078,280	7,060,637	None
LCDA Capital Projects	15,040,104	13,994,577	--	476,220	None
Community Development	15,795,992	11,666,081	766,441	602,228	None
General Government	4,452,850	4,112,733	24,000	32,634	None
Street Improvements	40,011,444	28,135,161	2,185,300	4,629,265	None
Animal Control Center	<u>85,400</u>	<u>77,561</u>	<u>--</u>	<u>1,200</u>	None
Total	<u><u>\$308,740,560</u></u>	<u><u>\$191,811,348</u></u>	<u><u>\$30,357,167</u></u>	<u><u>\$21,372,998</u></u>	

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 6 - Changes in Capital Assets (Continued)

- d. **Construction work in progress at December 31, 2001, for primary government enterprise funds is composed of the following:**

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Capitalized</u>	<u>Balance in Construction Work in Progress 12/31/01</u>
Greater Baton Rouge Airport District:				
Miscellaneous project costs	\$ 1,194,983	\$ 782,391	\$ 28,695	\$ 753,696
Terminal access road	201,018	201,018	--	201,018
Runway and apron improvements	5,672,137	475,027	--	475,027
Noise mitigation projects	4,444,444	501,033	--	501,033
Air cargo building construction	2,569,920	2,449,201	2,447,030	2,171
Atlantic Southeast Airlines hangar	5,000,000	41,776	--	41,776
Total	<u>19,082,502</u>	<u>4,450,446</u>	<u>2,475,725</u>	<u>1,974,721</u>
Riverside Centroplex Fund:				
Centroplex expansion project	4,685,600	2,940,945	--	2,940,945
Expansion-from Capital Projects Fund	17,530,000	145,892	--	145,892
Miscellaneous building improvements	2,798,261	2,733,075	2,731,009	2,066
Total	<u>25,013,861</u>	<u>5,819,912</u>	<u>2,731,009</u>	<u>3,088,903</u>
Comprehensive Sewerage System Fund:				
Central wastewater treatment plant				
Outfall line replacement	4,090,913	225,206	9,000	216,206
Miscellaneous treatment plant improvements	343,470	111,744	73,515	38,229
Rehabilitation construction	4,200,068	1,097,057	--	1,097,057
Sanitary sewer overflow corrective action plan	62,698,967	11,151,423	10,038,437	1,112,986
Trunkline system	3,686,632	980,564	34,753	945,811
Telemetry system	1,071,781	83,039	--	83,039
Rehabilitation of air ejector pump stations	1,519,000	96,689	1,015	95,674
Total	<u>77,610,831</u>	<u>13,745,722</u>	<u>10,156,720</u>	<u>3,589,002</u>
Total-all enterprise funds	<u>\$121,707,194</u>	<u>\$24,016,080</u>	<u>\$15,363,454</u>	<u>\$8,652,626</u>

Total construction period interest costs of \$504,660 were capitalized in 2001 in the Comprehensive Sewerage System Fund. Construction period interest costs of \$341,122 from the current and previous fiscal years remain in Construction Work in Progress at December 31, 2001.

During 2001, the City-Parish entered into a Consent Decree with U.S. Environmental Protection Agency (EPA) to remedy violations of the Clean Water Act and National Pollution Discharge Elimination System (NPDES) permits issued to the City-Parish for its sewerage treatment plants. The Consent Decree requires the City-Parish to achieve and maintain compliance with its NPDES permits and the Clean Water Act.

The Consent Decree requires the City-Parish to complete a construction program to reduce sanitary sewer overflows by December 31, 2014. The City-Parish selected construction "Alternate 7" to correct the sanitary sewer overflow problem. This alternate will require the City-Parish to institute a \$618 million construction program involving the construction of a large storage basin, deep underground gravity sewers, three ballasted flocculation waste water treatment facilities, storage tanks in outlying areas of the Parish, and rehabilitation of selected areas of the sanitary sewer collection system.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 6 - Changes in Capital Assets (Continued)

e. A summary of changes in capital assets for component units is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Adjustments and Deletions</u>	<u>Balance End of Year</u>
<u>District Attorney of the Nineteenth Judicial District</u>				
Equipment	\$ 1,207,243	\$ 218,749	\$ --	\$ 1,425,992
Less: accumulated depreciation	<u>(791,612)</u>			<u>(956,706)</u>
Total District Attorney of the Nineteenth Judicial District	<u>\$ 415,631</u>			<u>\$ 469,286</u>
<u>Nineteenth Judicial District Court</u>				
Equipment	\$ 965,531	\$ 13,991	\$ 95,068	\$ 884,454
Less: accumulated depreciation	<u>(751,309)</u>			<u>(719,802)</u>
Total Nineteenth Judicial District Court	<u>\$ 214,222</u>			<u>\$ 164,652</u>
<u>E.B.R. Parish Family Court</u>				
Equipment	\$ 226,167	\$ 22,793	\$ --	\$ 248,960
Less: accumulated depreciation	<u>(148,280)</u>			<u>(180,634)</u>
Total E.B.R. Parish Family Court	<u>\$ 77,887</u>			<u>\$ 68,326</u>
<u>E.B.R. Parish Juvenile Court</u>				
Equipment	\$ 379,231	\$ 22,495	\$ 20,326	\$ 381,400
Less: accumulated depreciation	<u>(237,327)</u>			<u>(269,374)</u>
Total E.B.R. Parish Juvenile Court	<u>\$ 141,904</u>			<u>\$ 112,026</u>
<u>Nineteenth Judicial District Indigent Defender Board</u>				
Equipment	\$ 187,845	\$ 479	\$ --	\$ 188,324
Less: accumulated depreciation	<u>(135,039)</u>			<u>(147,382)</u>
Total Nineteenth Judicial District Indigent Defender Board	<u>\$ 52,806</u>			<u>\$ 40,942</u>
<u>E.B.R. Parish Clerk of Court</u>				
Equipment	\$ 2,958,486	\$ 80,112	\$ 311,313	\$ 2,727,285
Less: accumulated depreciation	<u>(2,309,898)</u>			<u>(2,410,314)</u>
Total E.B.R. Parish Clerk of Court	<u>\$ 648,588</u>			<u>\$ 316,971</u>
<u>E.B.R. Parish Coroner</u>				
Equipment	\$ 148,963	\$ 38,217	\$ (18,990)	\$ 206,170
Equipment under capital leases	<u>18,990</u>	<u>--</u>	<u>18,990</u>	<u>--</u>
Total	167,953	38,217	--	206,170
Less: accumulated depreciation	<u>(122,393)</u>			<u>(142,549)</u>
Total E.B.R. Parish Coroner	<u>\$ 45,560</u>			<u>\$ 63,621</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 6 - Changes in Capital Assets (Continued)

e. A summary of changes in capital assets for component units (Continued):

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Adjustments and Deletions</u>	<u>Balance End of Year</u>
<u>St. George Fire Protection District</u>				
Land	\$ 275,871	\$ --	\$ (13,660)	\$ 289,531
Buildings	995,072	--	30,000	965,072
Equipment	3,079,365	68,634	(289,767)	3,437,766
Equipment under capital leases	422,511	--	422,511	--
Construction work in progress	69,891	77,635	--	147,526
Total	4,842,710	146,269	149,084	4,839,895
Less: accumulated depreciation	(1,546,657)			(1,790,698)
Total St. George Fire Protection District	<u>\$ 3,296,053</u>			<u>\$ 3,049,197</u>
<u>Brownsfield Fire Protection District</u>				
Land	\$ 18,592	\$ --	\$ --	\$ 18,592
Buildings	59,323	--	--	59,323
Equipment	233,715	--	5,500	228,215
Equipment under capital leases	48,980	--	--	48,980
Total	360,610	--	5,500	355,110
Less: accumulated depreciation	(96,147)			(144,894)
Total Brownsfield Fire Protection District	<u>\$ 264,463</u>			<u>\$ 210,216</u>
<u>Central Fire Protection District</u>				
Land	\$ 159,018	\$ --	\$ --	\$ 159,018
Buildings	855,124	--	--	855,124
Equipment	1,279,624	7,868	1,418	1,286,074
Equipment under capital leases	437,604	--	--	437,604
Total	2,731,370	7,868	1,418	2,737,820
Less: accumulated depreciation	(866,637)			(1,019,036)
Total Central Fire Protection District	<u>\$ 1,864,733</u>			<u>\$ 1,718,784</u>
<u>E.B.R. Parish Fire Protection District No. 6</u>				
Land	\$ 43,000	\$ --	\$ --	\$ 43,000
Buildings	456,930	--	--	456,930
Equipment	510,609	14,028	(111,982)	636,619
Equipment under capital leases	278,011	--	--	278,011
Total	1,288,550	14,028	(111,982)	1,414,560
Less: accumulated depreciation	(534,814)			(614,994)
Total E.B.R. Parish Fire Protection District No. 6	<u>\$ 753,736</u>			<u>\$ 799,566</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 6 - Changes in Capital Assets (Continued)

e. A summary of changes in capital assets for component units (Continued):

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Adjustments and Deletions</u>	<u>Balance End of Year</u>
<u>Eastside Fire Protection District</u>				
Land	\$ 151,360	\$ --	\$ --	\$ 151,360
Buildings	1,505,609	--	--	1,505,609
Equipment	657,289	129,933	105,229	681,993
Equipment under capital leases	<u>341,113</u>	<u>99,500</u>	<u>--</u>	<u>440,613</u>
Total	2,655,371	229,433	105,229	2,779,575
Less: accumulated depreciation	<u>(464,133)</u>			<u>(590,565)</u>
Total Eastside Fire Protection District	<u>\$ 2,191,238</u>			<u>\$ 2,189,010</u>
<u>Pride Fire Protection District</u>				
Land	\$ 15,000	\$ --	\$ --	\$ 15,000
Buildings	135,353	--	--	135,353
Equipment	<u>180,146</u>	<u>--</u>	<u>--</u>	<u>180,146</u>
Total	330,499	--	--	330,499
Less: accumulated depreciation	<u>(75,155)</u>			<u>(103,204)</u>
Total Pride Fire Protection District	<u>\$ 255,344</u>			<u>\$ 227,295</u>
<u>Chaneyville Fire Protection District</u>				
Buildings	\$ 109,334	\$ --	\$ --	\$ 109,334
Equipment	<u>244,882</u>	<u>--</u>	<u>--</u>	<u>244,882</u>
Total	354,216	--	--	354,216
Less: accumulated depreciation	<u>(204,281)</u>			<u>(240,533)</u>
Total Chaneyville Fire Protection District	<u>\$ 149,935</u>			<u>\$ 113,683</u>
<u>Alsen-St. Irma Lee Fire Protection District</u>				
Land	\$ 9,000	\$ --	\$ --	\$ 9,000
Buildings	256,496	--	--	256,496
Equipment	151,414	73,700	(30,925)	256,039
Equipment under capital lease	<u>205,769</u>	<u>94,238</u>	<u>43,344</u>	<u>256,663</u>
Total	622,679	167,938	12,419	778,198
Less: accumulated depreciation	<u>(229,666)</u>			<u>(277,587)</u>
Total Alsen-St. Irma Lee Fire Protection District	<u>\$ 393,013</u>			<u>\$ 500,611</u>
<u>Capital Region Planning Commission</u>				
Equipment	\$ 352,320	\$ 21,521	\$ 71,349	\$ 302,492
Less: accumulated depreciation	<u>(64,657)</u>			<u>(81,863)</u>
Total Capital Region Planning Commission	<u>\$ 287,663</u>			<u>\$ 220,629</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 6 - Changes in Capital Assets (Continued)

e. A summary of changes in capital assets for component units (Continued):

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Adjustments and Deletions</u>	<u>Balance End of Year</u>
<u>Capital Transportation Corporation</u>				
Equipment	\$ 11,099,422	\$ 440,221	\$ 39,068	\$11,500,575
Less: accumulated depreciation	<u>(5,726,142)</u>			<u>(6,681,317)</u>
Total Capital Transportation Corporation	<u>\$ 5,373,280</u>			<u>\$ 4,819,258</u>
 Total component units capital assets	 \$ 30,730,203	 <u>\$1,424,114</u>	 <u>\$698,792</u>	 \$ 31,455,525
Less: total accumulated depreciation	<u>(14,304,147)</u>			<u>(16,371,452)</u>
Total component units capital assets, net	<u>\$ 16,426,056</u>			<u>\$ 15,084,073</u>

NOTE 7 - Employees' Retirement Systems

a. Primary Government

1. Plan Description and Provisions

The City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System, a separate legal entity, administers an agent multiple-employer defined benefit pension plan. The participating local government employers include:

- City of Baton Rouge, Parish of East Baton Rouge
- District Attorney of the Nineteenth Judicial District
- Nineteenth Judicial District Court
- E.B.R. Parish Family Court
- E.B.R. Parish Juvenile Court
- St. George Fire Protection District
- Brownsfield Fire Protection District
- Central Fire Protection District
- E.B.R. Parish Fire Protection District No. 6
- Eastside Fire Protection District
- * East Baton Rouge Recreation and Park Commission (BREC)
- * Related Organization under GASB 14

The Retirement System is reported as a blended component unit of City-Parish as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. Since the Retirement System is part of the City-Parish's reporting entity, its financial statements are included as a Pension Trust Fund by the primary government.

The Retirement System was created by The Plan of Government and is governed by a seven member Board of Trustees. The board is responsible for administering the assets of the system and for making policy decisions regarding investments. The trustees are members of the Retirement System, except as noted below, and are selected in the following manner: 1) two are elected from non police and fire department employees; 2) one trustee each is elected from the Police and Fire Departments; 3) two people with business and accounting experience are appointed by the Metropolitan Council; 4) one is appointed by the Mayor-President. The two trustees appointed by the Metropolitan Council and the one appointed by the Mayor-President may or may not be members of the Retirement System. This is dependent on whether or not the appointees are City-Parish employees. All administrative expenses of the Retirement System are paid from funds of the system.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

a. Primary Government (Continued)

1. Plan Description and Provisions (Continued)

The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to:

Jeffrey R. Yates
Retirement Administrator
Employees' Retirement System
City of Baton Rouge, Parish of East Baton Rouge
P.O. Box 1471
Baton Rouge, LA 70821-1471

The Retirement System reports its financial activities under the provisions of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. All required disclosures are included in their separately issued report. The primary government (City-Parish), as stated previously, reports the Retirement System as a Pension Trust Fund and has adopted the reporting requirements for an employer under GASB Statement No. 25 and GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

Any person who becomes a regular full-time employee of the Primary Government, excluding commissioned law enforcement officers, becomes a member of the Retirement System as a condition of employment. An employee's benefit rights vest after the employee has been a member of the Retirement System for 10 years (Ordinance 10779).

Benefit payments are classified into two distinct categories: full retirement benefits and minimum eligibility benefits. The service requirements and benefits granted for each category are:

1. Full retirement benefits -
 - a. Granted with 25 years of service, regardless of age.
 - b. Defined as 3% of average compensation times the number of years of service.
2. Minimum eligibility benefits -
 - a. Granted with 20 years of service regardless of age; or at age 55 with 10 years of service.
 - b. Defined as 2.5% of average compensation times the number of years of service.

Average compensation is determined by the highest average compensation in 36 successive months. In the case of interrupted service, the periods immediately before and after the interruption may be joined to produce 36 successive months. Benefits paid to employees shall not exceed 90% of average compensation. Benefits are reduced by 3% for each year below age 55, if service is less than 25 years.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Retirement System are prepared using the accrual basis of accounting. Contributions from participating plan employers and their employees are recognized in the period in which employees provide services to the entity. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments

The investments of the Retirement System are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

a. Primary Government (Continued)

3. Concentrations of Investments

The Retirement System has no investments in any one organization representing 5% or more of the net assets available for pension benefits except for obligations of the federal government. There are no investments in loans to or leases with parties related to the pension plan. The investment activity of the Retirement System is subject to an investment policy adopted by the Board of Trustees and to oversight by the Board.

4. Funding Policy

The Plan of Government requires that the Retirement System be funded on an actuarially sound basis. Under the current plan, both employee and employer contributions are made to properly fund the system. In 2001, employees made a mandatory contribution of 8% of gross earnings. The actuarially determined employer contribution rate during the 2001 fiscal year was 6.97% of active payroll for the General Fund and 13.85% of active payroll for all special funds and outside employers.

5. Annual Pension Cost and Net Pension Obligation for Regular Employees' Trust

The following information regarding the Retirement System's net pension obligation is based on the December 31, 2001, actuarial valuation:

Annual required contribution	\$13,708,997
Interest on net pension obligation	369,410
Adjustment to annual required contribution	<u>(327,385)</u>
Annual pension cost	13,751,022
Contributions made	<u>10,911,144</u>
Increase (decrease) in net pension obligation	2,839,878
Net pension obligation beginning of year	<u>4,617,629</u>
Net pension obligation end of year	7,457,507
Plus: Net pension obligation related to litigation	1,840,463
Less: Net pension obligation for related organization	<u>(477,397)</u>
Net pension obligation - Primary Government and Component Units	<u><u>\$ 8,820,573</u></u>

The net pension obligation related to litigation in the amount of \$1,840,463 was the result of a judgement rendered by the Nineteenth Judicial District Court relative to increases in monthly retirement benefits for certain police retirees who provided off-duty security services. The Retirement System was ordered to disburse a lump sum payment of \$1,534,220 representing past due amounts through February 28, 2001. The City-Parish agreed to reimburse the Retirement System for the lump sum payment of \$1,534,220 plus the present value of future benefits amounting to \$306,243 for a total of \$1,840,463. On May 17, 2002, as part of a taxable refunding bond issue, the City-Parish remitted \$1,840,463 to the Retirement System to liquidate this net pension obligation.

The annual required contribution for the current year was determined as part of the December 31, 2001, actuarial valuation using the Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability. This method compares the theoretical reserve for service prior to the valuation date to plan assets. With this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over both the earnings and service of the individual between entry age (date of membership in the system) and assumed exit age.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

a. Primary Government (Continued)

5. Annual Pension Cost and Net Pension Obligation for Regular Employees' Trust (Continued)

Significant actuarial assumptions used in the valuation include: (1) a rate of return on the investment of present and future assets of 8.0% per year, compounded annually; (2) projected salary increases of 4.0% per year compounded annually, attributable to inflation; (3) additional projected salary increases based on years of service and age attributable to seniority and merit; (4) no post-retirement benefit increases. The actuarial value of assets was determined using the Expected Value Method. This asset valuation method involves the determination of expected value, based on the actuarial asset value at the beginning of the previous year. The difference between the expected value and the market value for total (unrealized and realized) investment gains/losses is then reflected at the rate of 20% per year for each of the subsequent five years. This technique smooths the volatility of market value for investments.

The initial Unfunded Actuarial Accrued Liability (UAAL) will be amortized over 30 years (closed amortization period) as a level percentage of payroll, assuming payroll increases of 4% per year during the first 15 years of the amortization period and 0% per year during the remaining 15 years. Each change in UAAL will be amortized over the greater of 20 years or the remaining amortization period for the initial UAAL, as a level percent of payroll assuming payroll increases 0% per year during the final 15 years of the amortization period and 4% per year for all years prior to the final 15 years. The remaining amortization period at December 31, 2001, is 23 years.

Three-Year Trend Information for the Retirement System

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/01	\$13,751,022	79.3%	\$ 7,457,507
12/31/00	11,314,078	116.0	4,617,629
12/31/99	15,802,749	126.7	6,424,119

6. Police Guarantee Trust

The Police Guarantee Trust was established on February 26, 2000, by the City-Parish and the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (CPERS) as the result of the voluntary transfer of 637 public safety employees from CPERS to the Municipal Police Employees' Retirement System (MPERS). As a part of the transfer agreement, each officer signed a "Police Guarantee Agreement" with CPERS whereby each officer receives the same benefit he/she would have received if they had remained with CPERS. The CPERS Board of Trustees established a separate Police Guarantee Trust to administer benefits to the transferred officers. The benefits paid from the trust will equal the difference between the benefit the employee would have received from CPERS if the transfer had not taken place, and the benefit actually paid by MPERS. An initial investment of \$24.6 million was moved from the CPERS trust to the Police Guarantee Trust for the future administration of the benefits.

The December 31, 2001, actuarial valuation was conducted using the Aggregate Actuarial Cost Method. Under this method the excess actuarial present value of projected benefits of the group included in an actuarial valuation over the actuarial value of assets is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. That portion of the actuarial present value allocated to a valuation year is called normal cost. The actuarial accrued liability is equal to the actuarial value of assets. The December 31, 2001, actuarial valuation concluded the trust had an actuarial loss of \$176,237 which will increase future normal costs by \$22,283. The allocation was based on earnings of the group. Significant actuarial assumptions include: (1) an investment return of 8% compounded annually on plan assets and (2) salary increases of 4% compounded annually due to inflation, longevity and merit increases. For the year ended December 31, 2001, the City-Parish made contributions of \$55,359 to the trust, equal to the annual required contribution. The City-Parish had no net pension obligation with respect to the Police Guarantee Trust under GASB Statement No. 27 at December 31, 2001.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

a. Primary Government (Continued)

7. Municipal Police Employees' Retirement System (MPERS)

The City-Parish contributes to the Municipal Police Employees' Retirement System (MPERS) Pension Plan, a cost sharing multiple-employer defined benefit pension plan administered by the MPERS Board of Trustees. MPERS covers any full-time public safety officer employed by a participating municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing said officer does not have to pay social security. Section 6 of this note describes the transfer of 637 public safety officers from CPERS to MPERS, effective February 26, 2000. All new public safety officers hired by the City-Parish after February 26, 2000, are required to join MPERS as a condition of employment. MPERS benefits are established by state statutes and may be amended at the discretion of the State Legislature. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Board of Trustees of the Municipal Police Employees' Retirement System, 8550 United Plaza Blvd., Suite 501, Baton Rouge, Louisiana 70809-0200.

Funding Policy

Contributions for all members and employers are established by state statute and may be amended by state statute when necessary. Plan members contribute 7.5% of earned compensation while employers contribute 9% of earned compensation excluding certain overtime, but including state supplemental pay. The City-Parish's contributions to MPERS for the years ended December 31, 2001, and December 31, 2000, respectively were \$2,273,924 and \$1,896,912. This was equal to the statutorily required contribution. Only two years of contribution data are available, since membership in MPERS was effective February 26, 2000. The City-Parish had no net pension obligation with respect to MPERS under GASB Statement No. 27 at December 31, 2001.

b. Component Units

1. Capital Transportation Corporation Pension Plan

a. Plan Description

Employees of Capital Transportation Corporation (CTC) are members of the Capital Transportation Corporation Pension Trust Fund ("Plan"), a defined-benefit single employer pension plan. The Plan is administered by a local bank under the direction of a Board of Trustees. CTC issues a Comprehensive Annual Financial Report (CAFR) which includes the financial statements and required supplementary information for CTC's Pension Trust Fund. CTC has adopted the reporting provisions of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and has implemented GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*. CTC's financial reports may be obtained by writing to:

Capital Transportation Corporation
Deborah A. Moore, General Manager, CEO
2250 Florida Boulevard
Baton Rouge, LA 70802

Because CTC issues its own CAFR with detailed disclosures on the operations of its Pension Trust Fund and because said fund is immaterial to the Primary Government, the City-Parish has chosen to provide limited disclosure in accordance with the reporting provisions of GASB Statement No. 25 and No. 27.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

b. Component Units (Continued)

1. Capital Transportation Corporation Pension Plan (Continued)

b. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of CTC's Pension Trust Fund are prepared using the accrual basis of accounting. Contributions from CTC and their employees are recognized in the period in which employees provide services to the entity. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments

CTC's Pension Trust Fund investments, consisting of mutual funds, are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The Corporation's annual pension cost and net pension asset for the year ended December 31, 2001, was as follows:

Annual required contribution	\$ 106,152
Interest on net pension asset	(44,240)
Adjustment to annual required contribution	<u>56,325</u>
Annual pension cost	118,237
 Contributions made	 <u>297,684</u>
Increase (decrease) in net pension asset	179,447
 Net pension asset beginning of year	 <u>553,003</u>
 Net pension asset end of year	 <u><u>\$732,450</u></u>

Trend Information for the Capital Transportation Corporation's
Pension Trust Fund

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Asset</u>
12/31/01	\$118,237	251.8%	\$732,450
12/31/00	100,051	296.8	553,003
12/31/99	115,024	200.1	381,284

Condensed Statement of Plan Net Assets

Assets:	
Cash and cash equivalents	\$ 451,361
Receivables	51,662
Investments	<u>3,741,783</u>
Net plan assets	<u><u>\$4,244,806</u></u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

b. Component Units (Continued)

1. Capital Transportation Corporation Pension Plan (Continued)

b. Summary of Significant Accounting Policies (Continued)

Condensed Statement of Changes in Plan Net Assets

Additions	\$ 352,608
Deductions	<u>221,272</u>
Change in plan assets	131,336
Plan assets - beginning of year	<u>4,113,470</u>
Plan assets - end of year	<u><u>\$4,244,806</u></u>

2. District Attorney of the Nineteenth Judicial District Defined-Benefit Pension Plans

The district attorney and assistant attorneys, whose salaries are paid by the State of Louisiana, and the Office of the District Attorney, are members of the Louisiana District Attorney's Retirement System. This retirement system is a multiple employer cost sharing, statewide public employee retirement system administered and controlled by a separate board of trustees.

The Louisiana District Attorneys' Retirement System (LDARS) provides retirement benefits as well as disability and survivor benefits. Benefits are established and amended by state statute. The LDARS issues a publicly available financial report that includes financial statements and required supplementary information for the LDARS. That report may be obtained by writing to the Louisiana District Attorneys' Retirement System, 1645 Nicholson Drive, Baton Rouge, Louisiana 70802, or by calling (225) 267-4824.

Plan members are required to contribute 7.0% of their annual covered salary and the district attorney is required to contribute at an actuarially determined rate. Member contributions and employer contributions for the LDARS are established by state law and rates are established by the Public Retirement Systems' Actuarial Committee. There were no employer contributions required for 2001 or 2000.

Certain other employees, whose salaries are paid by the Office of the District Attorney, are members of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System. The District Attorney's contributions for the year ended December 31, 2001, 2000, and 1999 were \$208,622, \$273,983, and \$358,256 respectively. Additional information on this system is included in Note 7(a)(1) above.

Trend Information for the District Attorney of the Nineteenth Judicial District Defined-Benefit
Pension Plan for Members Enrolled in the City of Baton Rouge and
Parish of East Baton Rouge Employees' Retirement System

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/01	\$278,199	76.1%	\$122,320
12/31/00	243,950	112.4	55,857
12/31/99	288,132	124.3	86,178

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

b. Component Units (Continued)

3. Nineteenth Judicial District Court Pension Plans

Louisiana State Employees' Retirement System

The employees of the Commissioners' offices, whose salaries are paid from appropriations from the State of Louisiana, are members of the Louisiana State Employees' Retirement System ("System"), a public employee retirement system (PERS). The System is a statewide public retirement system for the benefit of state employees which is administered and controlled by a separate board of trustees. The system provides retirement and disability benefits, annual cost-of-living adjustment, and death benefits to plan members and beneficiaries. The system was established and provided for within Louisiana Revised Statute Title 11 Chapter 401. The Louisiana State Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, P.O. Box 44213, Baton Rouge, Louisiana 70804-4213.

Plan members are required by state statute to contribute 7.5% of gross salary to which the Commissioners' office adds 12.3% employer's match. The Commissioners' offices' statutory and actual contributions for the year ending June 30, 2001, 2000, and 1999 were \$23,095, \$21,898, and \$22,132, respectively.

Louisiana Clerk of Court Retirement and Relief Fund

Other court employees, whose salaries are expenditures of the Judicial Expense Fund are members of the Louisiana Clerk of Court Retirement and Relief Fund. See section b(5) of this note for disclosure on this multiple-employer cost-sharing PERS.

The Nineteenth Judicial District Court's contributions to the system for the years ended June 30, 2001, 2000, and 1999, were \$50,203, \$20,131, and \$55,130, respectively, which was equal to the required contributions for each year.

4. Nineteenth Judicial District Indigent Defender Board Pension Plan

The Board contracted with A.G. Edwards in 1992 for a pension plan that paid 7.7% of the employees salary into a fully vested fund for each employee. This is a defined contribution plan and each employee will receive the amount in his individual fund at retirement. The Board pays all of the 7.7% contribution. There is no unfunded portion at December 31, 2001. Contributions in 2001 were \$99,572.

5. East Baton Rouge Parish Clerk of Court Pension Plan

Substantially all employees participate in the Louisiana Clerk of Courts Retirement and Relief Fund ("Fund"), a multiple-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate Board of Trustees. Plan members are required by state statute to contribute 8.25% of their annual covered salary and the E.B.R. Clerk of Court is required to contribute at an actuarially determined rate. The current rate is 10% of covered payroll. Contributions also include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish. Contribution requirements of both members and employers are established and amended by state statute. The E.B.R. Clerk of Court's contributions to the system for the years ending June 30, 2001, 2000, and 1999, were \$441,897, \$469,890, and \$443,469, respectively. These contributions were equivalent to the required contributions for each fiscal year.

Effective July 1, 1999, the East Baton Rouge Parish Clerk of Court could elect to pay all or a portion of the 8.25% employee retirement contribution which would otherwise be deducted from the employees' salary. This election can be changed annually by the Clerk. The East Baton Rouge Parish Clerk of Court elected to implement this policy for the year ended June 30, 2001. The contributions to the System under this election were \$359,650 for the year.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana Clerks of Court Retirement and Relief Fund, 11745 Bricksome Avenue, Suite B1, Baton Rouge, LA 70816.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 8 - Council Members Compensation

Each Council Member receives monthly compensation in accordance with The Plan of Government. Compensation is currently \$300 a month for council members. In addition, members of the Metropolitan Council receive \$800 per month combined travel and auto allowance. (LRS 33:1233(B)) The following is a list of Council Members with gross wages, including auto allowance that was reported as paid in year 2001.

District 1	Roxson Welch	\$ 508
	Wayne Carter	12,678
District 2	Thomas Woods	138
	Ulysses Z. Addison, Jr.	12,678
District 3	Pat Culbertson	13,200
District 4	Joseph "Joe" Greco	13,200
District 5	Charles Kelly	13,200
District 6	M. A. "Mike" Tassin	1,675
	Martha J. Tassin	11,321
District 7	W.T. Winfield	508
	Byron Sharper	12,678
District 8	Karen Futrell	508
	J. Michael "Mike" Walker	12,678
District 9	Darrell P. Ourso	13,200
District 10	Lorri Burgess	
	Council	13,200
	President Pro-Tempore	16,823
District 11	Mary Frey Eaton	
	Council	508
	President Pro-Tempore	692
	David J. Boneno	12,678
District 12	James T. "Jim" Benham	13,200

NOTE 9 - Postemployment Benefits

City-Parish employees are eligible to continue participation in the government's health, dental and life insurance programs upon retirement.

a. Health and Dental Benefits

All classified and unclassified employees of the City-Parish may at their option participate in the employees' group health and dental self insurance programs. Since 1998, employees are participating in the point-of-service health maintenance plan. Employees may also participate in the indemnity plan for dental benefits. Upon retirement the employee may continue his coverage with the same benefits payable to active employees. During 2001, the minimum premium plan was funded with employees and retirees contributing 35% of the premium and the City-Parish contributing 65% of the premium. Retirees may continue coverage in accordance with Parish Resolution 10179 adopted by the Parish Council on December 13, 1972. The City-Parish's portion of the postretirement benefit for health and dental coverage is funded on a pay-as-you-go basis from the General Fund-Risk Management budget.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 9 - Postemployment Benefits (Continued)

a. Health and Dental Benefits (Continued)

During 2001, the government recognized expenditures for postretirement health and dental benefits as follows:

	<u>Average Number of Participants</u>	<u>Amount</u>
Health	1,557	\$5,346,220
Dental	1,280	344,686

b. Life Insurance Benefits

In accordance with City Resolution 5942 and Parish Resolution 12478 adopted by the respective councils on April 14, 1976, all City-Parish employees who retired after May 1, 1976, have \$3,000 of term life insurance coverage. As of December 31, 2001, approximately 1,578 retirees had the \$3,000 coverage with Prudential Life Insurance Company.

The cost of this insurance is paid by the City-Parish through an actuarially determined monthly assessment of 70 cents per active employee. The premium is paid into an Insurance Continuance Fund Account. Activity on the Insurance Continuance Account during 2001 occurred as follows:

Balance, January 1, 2001	\$ 147,081
Plus: premiums paid-in by City-Parish 2001	31,523
Interest earned on account in 2001	4,945
Less: costs of insurance, net of premium returned and capital adjustment	<u>(99,645)</u>
Balance, December 31, 2001	<u>\$ 83,904</u>

NOTE 10 - Long-Term Debt

a. Primary Government

1. Summary of Changes in Long-Term Debt

Following is a summary of changes in long-term debt for the primary government for year 2001:

	<u>Balance 1/1/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/01</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Excess revenue contracts, loans and notes	\$ 79,825,008	\$ --	\$ 2,927,960	\$ 76,897,048	\$ 1,529,558
Revenue bonds payable, net	58,493,740	23,437,000	2,383,678	79,547,062	3,900,478
Compensated absences payable	8,304,205	3,577,533	2,275,372	9,606,366	121,511
Obligation under capital leases (Note 14)	3,274,980	--	2,007,970	1,267,010	877,348
Claims and judgments payable (Note 13)	30,491,378	17,214,780	14,075,466	33,630,692	--
Employee benefits payable (Note 13)	4,082,211	9,789,211	9,131,887	4,739,535	4,739,535
Arbitrage payable for governmental fund types (Note 10)	4,345	163,913	--	168,258	153,711
Net pension obligation (Note 7)	<u>3,519,579</u>	<u>1,966,923</u>	<u>--</u>	<u>5,486,502</u>	<u>--</u>
Total governmental activities	<u>\$187,995,446</u>	<u>\$56,149,360</u>	<u>\$32,802,333</u>	<u>\$211,342,473</u>	<u>\$11,322,141</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

1. Summary of Changes in Long-Term Debt (Continued)

	<u>Balance</u> <u>1/1/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/01</u>	<u>Due Within</u> <u>One Year</u>
<u>Business-Type Activities:</u>					
Excess revenue contracts, loans and notes	\$ --	\$ 1,186,272	\$ 1,600	\$ 1,184,672	\$ 19,200
Revenue bonds payable	244,890,000	20,000,000	7,125,000	257,765,000	7,735,000
Deferred amount on refunding	(2,789,020)	--	(320,925)	(2,468,095)	--
Revenue bonds payable from City issues	62,591,260	188,000	5,091,322	57,687,938	5,134,522
Landfill closure and postclosure care liability (Note 19)	6,319,767	1,059,031	--	7,378,798	--
Compensated absences payable	716,011	327,809	232,488	811,332	811,332
Net pension obligation (Note 7)	<u>717,890</u>	<u>451,202</u>	<u>--</u>	<u>1,169,092</u>	<u>--</u>
Total business-type activities	<u>\$312,445,908</u>	<u>\$23,212,314</u>	<u>\$12,129,485</u>	<u>\$323,528,737</u>	<u>\$13,700,054</u>

Internal service funds serve predominantly the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$121,511 of compensated absences, \$1,203,151 of obligation under capital leases, and \$145,564 of net pension obligation for internal service funds are included in the above amounts. Also, for the governmental activities, compensated absences, obligation under capital leases, arbitrage payable, and net pension obligation are liquidated by the governmental fund in which the liability is incurred. Claims and judgments payable and employee benefits payable are liquidated by the general fund.

The Government-wide Statement of Net Assets includes \$7,754,200 of the long-term liabilities due within one year for business-type activities in "liabilities payable from restricted assets." The remaining amount of \$5,945,854 is displayed as "noncurrent liabilities, due within one year" on that same statement.

2. Schedule of Bonds Payable

The following is a schedule of bonds payable for the primary government at December 31, 2001:

	<u>Interest</u> <u>Dates</u>	<u>Issue</u> <u>Date</u>	<u>Final</u> <u>Maturity</u> <u>Date</u>	<u>Original</u> <u>Authorized</u> <u>and Issued</u>	<u>Outstanding</u>
<u>Governmental Activities:</u>					
<u>Excess revenue contracts, loans and notes</u>					
City of Baton Rouge:					
State Municipal Police Employees Retirement System Note	Quarterly	02/26/00	03/31/2030	\$ 72,738,769	\$ 71,356,024
Parish of East Baton Rouge:					
1982 Jail Project Contract	06/15-12/15	12/15/82	06/15/2002	150,000	16,024
LA Community Development Authority	Monthly	08/11/99	09/30/2020	<u>7,643,873</u>	<u>5,525,000</u>
Total excess revenue contracts, loans and notes				<u>80,532,642</u>	<u>76,897,048</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

2. Schedule of Bonds Payable (Continued)

	<u>Interest Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Original Authorized and Issued</u>	<u>Outstanding</u>
Governmental Activities (Continued):					
<u>Revenue bonds</u>					
City of Baton Rouge:					
1992 Public Improvement Sales Tax	02/01-08/01	02/01/92	08/01/2016	\$ 21,400,000	\$ --
1992A Public Improvement Sales Tax	02/01-08/01	04/01/92	08/01/2012	85,000,000	--
1993 Public Improvement Sales Tax	02/01-08/01	10/01/93	08/01/2018	4,000,000	3,310,000
1997 Public Improvement Sales Tax	02/01-08/01	10/01/97	08/01/2017	19,325,000	13,225,000
1998A Public Improvement Sales Tax	02/01-08/01	11/01/98	08/01/2016	94,450,000	93,240,000
2001A Public Improvement Sales Tax	02/01-08/01	08/15/01	08/01/2026	23,625,000	23,625,000
Less: debt recorded in business-type activities				(103,245,452)	(57,687,938)
Parish of East Baton Rouge:					
1998C Public Improvement Sales Tax	02/01-08/01	11/01/98	08/01/2008	<u>4,600,000</u>	<u>3,835,000</u>
Total revenue bonds				<u>149,154,548</u>	<u>79,547,062</u>
Total governmental activities				<u>229,687,190</u>	<u>156,444,110</u>
Business-Type Activities:					
<u>Excess revenue contracts, loans and notes</u>					
City of Baton Rouge:					
LA Community Development Authority (Airport)					
	Monthly	08/11/99	09/30/2020	<u>1,186,272</u>	<u>1,184,672</u>
<u>Revenue bonds</u>					
City of Baton Rouge:					
Revenue bonds payable from City issues				103,245,452	57,687,938
Parish of East Baton Rouge:					
Sewer sales tax bonds:					
1991 Public Improvement Sales Tax	02/01-08/01	08/01/91	02/01/2016	20,000,000	--
1993 Public Improvement Sales Tax	02/01-08/01	03/01/93	02/01/2018	30,200,000	25,265,000
1993A Public Improvement Sales Tax	02/01-08/01	10/01/93	02/01/2018	70,000,000	57,820,000
1995 Public Improvement Sales Tax	02/01-08/01	08/01/95	02/01/2020	36,000,000	34,175,000
1996 Public Improvement Sales Tax	02/01-08/01	03/01/96	02/01/2021	65,000,000	61,485,000
1998B Public Improvement Sales Tax	02/01-08/01	11/01/98	02/01/2016	16,825,000	16,810,000
1999 Public Improvement Sales Tax	02/01-08/01	08/01/99	02/01/2024	43,000,000	41,125,000
2001B Public Improvement Sales Tax	02/01-08/01	08/15/01	02/01/2026	20,000,000	20,000,000
Greater Baton Rouge Parking Authority:					
1978 Parking Garage	01/01-07/01	01/01/78	07/01/2003	<u>6,875,000</u>	<u>1,085,000</u>
Total revenue bonds				<u>411,145,452</u>	<u>315,452,938</u>
Total business-type activities				<u>412,331,724</u>	<u>316,637,610</u>
Total all bonds, contracts, loans and notes				<u>\$642,018,914</u>	<u>\$473,081,720</u>

The City-Parish is in compliance with all legal debt covenants at December 31, 2001.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

3. Changes in Bonds Payable:

	Outstanding January 1, 2001	<u>Issued</u>	<u>Retired</u>	Outstanding December 31, 2001
Governmental Activities:				
<u>Excess revenue contracts, loans and notes</u>				
City of Baton Rouge:				
State Municipal Police Employees Retirement System Note	\$ 72,166,149	\$ --	\$ 810,125	\$ 71,356,024
Parish of East Baton Rouge:				
1982 Jail Project Contract	30,486	--	14,462	16,024
LA Community Development Authority	<u>7,628,373</u>	<u>--</u>	<u>2,103,373</u>	<u>5,525,000</u>
Total excess revenue contracts, loans and notes	<u>79,825,008</u>	<u>--</u>	<u>2,927,960</u>	<u>76,897,048</u>
<u>Revenue bonds</u>				
City of Baton Rouge:				
1992 Public Improvement Sales Tax	650,000	--	650,000	--
1992A Public Improvement Sales Tax	3,375,000	--	3,375,000	--
1993 Public Improvement Sales Tax	3,420,000	--	110,000	3,310,000
1997 Public Improvement Sales Tax	14,925,000	--	1,700,000	13,225,000
1998A Public Improvement Sales Tax	94,440,000	--	1,200,000	93,240,000
2001A Public Improvement Sales Tax	--	23,625,000	--	23,625,000
Less: debt recorded in business-type activities	(62,591,260)	(188,000)	(5,091,322)	(57,687,938)
Parish of East Baton Rouge:				
1998C Public Improvement Sales Tax	<u>4,275,000</u>	<u>--</u>	<u>440,000</u>	<u>3,835,000</u>
Total revenue bonds	<u>58,493,740</u>	<u>23,437,000</u>	<u>2,383,678</u>	<u>79,547,062</u>
Total governmental activities	<u>138,318,748</u>	<u>23,437,000</u>	<u>5,311,638</u>	<u>156,444,110</u>
Business-Type Activities:				
<u>Excess revenue contracts, loans and notes</u>				
City of Baton Rouge:				
LA Community Development Authority (Airport)	<u>--</u>	<u>1,186,272</u>	<u>1,600</u>	<u>1,184,672</u>
<u>Revenue bonds</u>				
City of Baton Rouge:				
Revenue bonds payable for City issues	62,591,260	188,000	5,091,322	57,687,938
Parish of East Baton Rouge:				
Sewer sales tax bonds:				
1991 Public Improvement Sales Tax	660,000	--	660,000	--
1993 Public Improvement Sales Tax	26,085,000	--	820,000	25,265,000
1993A Public Improvement Sales Tax	59,985,000	--	2,165,000	57,820,000
1995 Public Improvement Sales Tax	34,560,000	--	385,000	34,175,000
1996 Public Improvement Sales Tax	63,105,000	--	1,620,000	61,485,000
1998B Public Improvement Sales Tax	16,815,000	--	5,000	16,810,000
1999 Public Improvement Sales Tax	42,100,000	--	975,000	41,125,000
2001B Public Improvement Sales Tax	--	20,000,000	--	20,000,000
Greater Baton Rouge Parking Authority:				
1978 Parking Garage	<u>1,580,000</u>	<u>--</u>	<u>495,000</u>	<u>1,085,000</u>
Total revenue bonds	<u>307,481,260</u>	<u>20,188,000</u>	<u>12,216,322</u>	<u>315,452,938</u>
Total business-type activities	<u>307,481,260</u>	<u>21,374,272</u>	<u>12,217,922</u>	<u>316,637,610</u>
Total all bonds, contracts, loans and notes	<u>\$445,800,008</u>	<u>\$44,811,272</u>	<u>\$17,529,560</u>	<u>\$473,081,720</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

4. Interest Requirements to Maturity

The following is a summary of bonded debt at December 31, 2001, and interest requirements to maturity:

	<u>Debt Payable</u> <u>12/31/01</u>	<u>Interest</u> <u>Requirements</u> <u>to Maturity</u>	<u>Total</u>
<u>Excess revenue contracts, loans and notes</u>			
City of Baton Rouge:			
State Municipal Police Employees Retirement System Note (7.0%)	\$ 71,356,024	\$ 87,353,743	\$158,709,767
LA Community Development Authority Airport Loan	1,184,672	542,323	1,726,995
Parish of East Baton Rouge:			
1982 Jail Project Contract (10.64%)*	16,024	857	16,881
LA Community Development Authority	<u>5,525,000</u>	<u>1,121,450</u>	<u>6,646,450</u>
Total excess revenue contracts, loans and notes	<u>78,081,720</u>	<u>89,018,373</u>	<u>167,100,093</u>
<u>Revenue bonds</u>			
City of Baton Rouge:			
1993 Public Improvement Sales Tax (5.13%)*	3,310,000	1,676,460	4,986,460
1997 Public Improvement Sales Tax (4.79%)*	13,225,000	3,083,247	16,308,247
1998A City Sales Tax (4.43%)**	93,240,000	33,365,088	126,605,088
2001A City Sales Tax (4.85%)**	23,625,000	17,609,225	41,234,225
Parish of East Baton Rouge:			
1998C Public Improvement Sales Tax (4.11%)**	3,835,000	655,898	4,490,898
Sewer sales tax bonds:			
1993 Public Improvement Sales Tax (5.49%)*	25,265,000	12,950,041	38,215,041
1993A Public Improvement Sales Tax (5.13%)*	57,820,000	27,212,539	85,032,539
1995 Public Improvement Sales Tax (5.97%)*	34,175,000	25,894,051	60,069,051
1996 Public Improvement Sales Tax (5.66%)*	61,485,000	38,457,759	99,942,759
1998B Public Improvement Sales Tax (4.66%)**	16,810,000	6,868,550	23,678,550
1999 Public Improvement Sales Tax (5.69%)**	41,125,000	32,623,473	73,748,473
2001B Public Improvement Sales Tax (5.02%)**	20,000,000	18,562,025	38,562,025
Greater Baton Rouge Parking Authority:			
1978 Parking Garage (6.29%)*	<u>1,085,000</u>	<u>104,869</u>	<u>1,189,869</u>
Total revenue bonds	<u>395,000,000</u>	<u>219,063,225</u>	<u>614,063,225</u>
Total all bonds, contracts, loans and notes	<u>\$473,081,720</u>	<u>\$308,081,598</u>	<u>\$781,163,318</u>

* Net interest cost (NIC)

** True interest cost (TIC)

During 1998, the City-Parish changed its policy for awarding competitive bids for sales tax revenue bonds from net interest cost to true interest cost.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

5. Debt Service Requirements to Maturity

The annual requirements to amortize all bonded debt outstanding, including principal and interest, are as follows:

<u>Year</u>	<u>Excess Revenue Contracts, Loans and Notes</u>			<u>Revenue Bonds</u>			<u>Total</u> <u>Principal and</u> <u>Interest All</u> <u>Bonds</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2002	\$ 1,529,558	\$ 4,909,597	\$ 6,439,155	\$ 16,770,000	\$ 20,762,297	\$ 37,532,297	\$ 43,971,452
2003	1,185,313	4,840,889	6,026,202	18,060,000	19,738,005	37,798,005	43,824,207
2004	1,263,338	4,769,375	6,032,713	18,710,000	18,671,470	37,381,470	43,414,183
2005	1,347,909	4,692,888	6,040,797	19,760,000	17,680,629	37,440,629	43,481,426
2006	1,435,943	4,611,234	6,047,177	19,665,000	16,568,172	36,233,172	42,280,349
2007-2011	8,745,531	21,621,278	30,366,809	103,745,000	66,871,806	170,616,806	200,983,615
2012-2016	12,011,963	18,556,879	30,568,842	97,065,000	40,028,733	137,093,733	167,662,575
2017-2021	14,219,060	14,427,882	28,646,942	76,595,000	15,881,703	92,476,703	121,123,645
2022-2026	19,595,133	8,850,413	28,445,546	24,630,000	2,860,410	27,490,410	55,935,956
2027-2030	<u>16,747,972</u>	<u>1,737,938</u>	<u>18,485,910</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>18,485,910</u>
Total	<u>\$78,081,720</u>	<u>\$89,018,373</u>	<u>\$167,100,093</u>	<u>\$395,000,000</u>	<u>\$219,063,225</u>	<u>\$614,063,225</u>	<u>\$781,163,318</u>

6. Future Year Obligations

Principal and interest requirements of various bond issues for the year 2002 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
<u>Excess revenue contracts, loans and notes</u>			
City of Baton Rouge:			
State Municipal Police Employees			
Retirement System Note	\$ 866,834	\$ 4,751,211	\$ 5,618,045
LA Community Development Authority Airport Loan	19,200	31,143	50,343
Parish of East Baton Rouge:			
1982 Jail Project Contract	16,024	857	16,881
LA Community Development Authority	<u>627,500</u>	<u>126,386</u>	<u>753,886</u>
Total excess revenue contracts, loans and notes	<u>1,529,558</u>	<u>4,909,597</u>	<u>6,439,155</u>
<u>Revenue bonds</u>			
City of Baton Rouge:			
1993 Public Improvement Sales Tax	120,000	165,720	285,720
1997 Public Improvement Sales Tax	1,835,000	609,305	2,444,305
1998A Public Improvement Sales Tax	6,205,000	4,704,763	10,909,763
2001A Public Improvement Sales Tax	405,000	1,190,224	1,595,224

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

6. Future Year Obligations (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
<u>Revenue bonds (Continued)</u>			
Parish of East Baton Rouge:			
1998C Public Improvement Sales Tax	\$ 470,000	\$ 156,932	\$ 626,932
Sewer sales tax bonds:			
1993 Public Improvement Sales Tax	895,000	1,325,278	2,220,278
1993A Public Improvement Sales Tax	2,280,000	2,845,275	5,125,275
1995 Public Improvement Sales Tax	485,000	2,044,588	2,529,588
1996 Public Improvement Sales Tax	1,760,000	3,519,828	5,279,828
1998B Public Improvement Sales Tax	370,000	763,200	1,133,200
1999 Public Improvement Sales Tax	1,365,000	2,360,372	3,725,372
2001B Public Improvement Sales Tax	55,000	1,007,643	1,062,643
Greater Baton Rouge Parking Authority:			
1978 Parking Garage	<u>525,000</u>	<u>69,169</u>	<u>594,169</u>
Total revenue bonds	<u>16,770,000</u>	<u>20,762,297</u>	<u>37,532,297</u>
Total all bonds, contracts, loans and notes	<u>\$18,299,558</u>	<u>\$25,671,894</u>	<u>\$43,971,452</u>

7. Legal Debt Margin

Computation of legal debt margin for general obligation bonds is as follows:

Governing Authority: City of Baton Rouge

Ad valorem taxes:

Assessed valuation, 2001 tax rolls \$1,128,641,029

Debt limit: 10% of assessed valuation (for any one purpose) \$ 112,864,103

Debt limit: 15% of assessed valuation (for sewerage purposes) 169,296,154

Debt limit: 35% of assessed valuation (aggregate, all purposes) 395,024,360

There are no outstanding bonds secured by ad valorem taxes of the City of Baton Rouge at this time.

Governing Authority: Parish of East Baton Rouge

Ad valorem taxes:

Assessed valuation, 2001 tax rolls \$2,437,458,220

Debt limit: 10% of assessed valuation (for any one purpose) \$ 243,745,822

Debt limit: 15% of assessed valuation (for sewerage purposes) 365,618,733

There are no outstanding bonds secured by ad valorem taxes of the Parish of East Baton Rouge at this time.

Governing Authority: East Baton Rouge Sewerage Commission

Ad valorem taxes:

Assessed valuation, 2001 tax rolls \$2,437,452,220

Debt limit: 15% of assessed valuation \$ 365,618,733

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

7. Legal Debt Margin (Continued)

There are no outstanding bonds secured by ad valorem taxes of the East Baton Rouge Sewerage Commission at this time.

The Louisiana Constitution gives East Baton Rouge Parish, any municipal corporation in the parish and any sewerage district in the parish the power to incur debt and issue bonds for sewerage purposes up to a maximum of 15% of the assessed valuation of the taxable property in such subdivision. Louisiana Revised Statutes limit the Parish's bonded debt for other purposes to 10% of the assessed valuation of the taxable property for one purpose and 35% for all purposes.

Excess revenue contracts, loans and notes are secured by the general property tax levied for operation of the General Fund. They are payable through excess revenues through the General Fund budget. The debt obligations are issued on the authority of the Metropolitan Council and do not require a referendum from taxpayers.

8. Parking Revenue Bonds

On January 1, 1978, Parking Revenue Bonds were issued in the amount of \$6,875,000 for the purpose of constructing a multi-level parking facility for approximately 1,400 vehicles, including the funding of \$600,000 to a debt service reserve and paying \$665,000 interest on the bonds during construction of the project. The bonds do not constitute a pledge of full faith and credit of the City-Parish but are payable solely from the revenues derived from the facility or by subrentals under a sublease of the project. As security for payments, the City-Parish has pledged to dedicate gross receipts derived from the project, as well as its parking revenues from the existing 450 space Plaza Garage, 156 space surface Arena Lot, and designated on-street parking meter revenues, and any additional sums required are unconditionally obligated to be budgeted and paid from the General Fund.

The bonds are a combination serial and term bond issue with serial bonds maturing July 1, 1982, and each year thereafter through the year 1998, in principal amounts ranging from \$150,000 to \$410,000. The term bonds in the amount of \$1,580,000 mature July 1, 2003.

9. Governmental Funds Sales Tax Revenue Bonds

The City of Baton Rouge and the Parish of East Baton Rouge, each levy a two percent sales and use tax on all goods and services within their respective taxing districts. Since 1989, both the City of Baton Rouge and the Parish of East Baton Rouge have authorized the issuance of Public Improvement Sales Tax Bonds secured by this sales tax for the purpose of constructing and improving public facilities, advance refunding outstanding parity bond issues when market rates made it advantageous, providing a debt service reserve for each respective issue, and paying the issuance costs thereof.

These bonds are paid through the City Sales Tax Bonds Debt Service Fund and the Parish Sales Tax Bonds Debt Service Fund. Sinking fund payments are made monthly with bond interest and/or principal payments due February 1 and August 1 of each year. As of December 31, 2001, the following issues are outstanding:

<u>Bond Issue</u>	<u>Outstanding 12/31/2001</u>	<u>Primary Purpose of Issue</u>
City of Baton Rouge		
\$ 4,000,000; Series 1993	\$ 3,310,000	Improvements to public buildings and facilities
\$19,325,000; Series 1997	13,225,000	Airport terminal development program and landfill improvements
\$94,450,000; Series 1998A	93,240,000	Advance refunding parity bond issues and improvements to public buildings
\$23,625,000; Series 2001A	<u>23,625,000</u>	Fund local match for the Centroplex expansion project, refund PFC note
Total	<u>\$133,400,000</u>	
Parish of East Baton Rouge:		
\$4,600,000; Series 1998C	<u>\$ 3,835,000</u>	Advance refunding parity bond issues and improvements to public buildings

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

9. Governmental Funds Sales Tax Revenue Bonds (Continued)

All of the above governmental fund type sales tax revenue bonds issued by the City of Baton Rouge and Parish of East Baton Rouge are complete parity bonds and are secured by the net revenues from the respective entity's two percent sales and use tax.

10. Proprietary Fund Sales Tax Revenue Bonds

In April 1988, the general electorate authorized an additional parish-wide one-half of one percent sales and use tax specifically for sewerage purposes. The Parish of East Baton Rouge is authorized to issue debt secured by this additional one-half percent sewer sales tax for the purpose of constructing sewerage related capital improvements, advance refunding outstanding parity bond issues when market rates make it advantageous, providing a debt service reserve for each respective issue, and paying the issuance costs thereof.

These bonds are accounted for in the Comprehensive Sewerage System Enterprise Fund. Sinking fund payments are made monthly with bond interest and/or principal payments due February 1 and August 1 of each year. As of December 31, 2001, the following issues are outstanding:

<u>Bond Issue</u>	<u>Outstanding 12/31/2001</u>	<u>Primary Purpose of Issue</u>
Parish of East Baton Rouge:		
Sewer Sales Tax Bonds:		
\$30,200,000; Series ST-1993	\$ 25,265,000	Sewerage Capital Improvements Program
\$70,000,000; Series ST-1993A	57,820,000	Sewerage Capital Improvements Program
\$36,000,000; Series ST-1995	34,175,000	Sewerage Capital Improvements Program
\$65,000,000; Series ST-1996	61,485,000	Advance Refunding Parity Bond Issues
\$16,825,000; Series 1998B	16,810,000	Advance Refunding Parity Bond Issues
\$43,000,000; Series 1999	41,125,000	Sewerage Capital Improvements Program
\$20,000,000; Series 2001B	<u>20,000,000</u>	Sewerage Capital Improvements Program
Total	<u>\$256,680,000</u>	

All of the above proprietary fund sales tax revenue bonds issued by the Parish of East Baton Rouge are complete parity bonds and are secured by the net revenues from the special one-half percent sales and use tax dedicated to sewerage purposes.

11. Obligations of Intragovernmental Agencies

The City and the Parish has issued debt to fund certain enterprise operations on the strength of its general operating 2% sales tax revenues. In turn, the Greater Baton Rouge Airport District and the Comprehensive Sewerage System Fund have signed promissory notes to the General Fund to repay the debt service. The following obligations are recorded in proprietary funds in the government-wide and fund basic financial statements. An adjustment for the outstanding debt is shown as a reduction of governmental activities long-term debt in the government-wide financial statements.

a. Greater Baton Rouge Airport District - 1980 Obligation

On March 15, 1980, the City of Baton Rouge issued \$11,300,000 of Airport Improvement Bonds. Concurrently, the Greater Baton Rouge Airport District signed an \$11,300,000 long-term obligation to the City of Baton Rouge bearing an interest rate of 7.86%. This long-term obligation requires that annual payments be made to the City for the use, possession, and control of the improvements constructed with the bond proceeds. The bonds matured on March 15, 1992, but the long-term obligation to the City remains in effect with semi-annual payments to be made over a 25 year period.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

11. Obligations of Intragovernmental Agencies (Continued)

a. Greater Baton Rouge Airport District - 1980 Obligation (Continued)

Payments to the City by the Airport District are recorded as miscellaneous revenues in the General Fund. Improvements constructed with the bond proceeds are recorded as assets and as a long-term obligation of the Airport District. Total principal paid prior to 2001 was \$6,735,607. In 2001, a principal payment of \$780,204 reduced the obligation payable to \$3,784,189. Scheduled maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 841,528	\$264,366	\$1,105,894
2003	907,672	195,622	1,103,294
2004	979,015	121,474	1,100,489
2005	<u>1,055,974</u>	<u>41,499</u>	<u>1,097,473</u>
Total	<u>\$3,784,189</u>	<u>\$622,961</u>	<u>\$4,407,150</u>

b. Greater Baton Rouge Airport District - 1997 Rates and Charges Obligation

On October 22, 1997, the City of Baton Rouge issued \$19,325,000 in Public Improvement Sales Tax Revenue Bonds, Series 1997, for the purpose of financing a portion of the costs of construction (\$14,946,000) of certain improvements in the Terminal Development Project as well as other City-Parish construction projects. The Greater Baton Rouge Airport District obligated itself under two negotiated promissory notes and the Amended Intergovernmental Contract (Airport-Airline Lease Agreement) dated November 1, 1997, to make semi-annual payments to the City General Fund over a nine year period. The Airport signed two separate promissory notes to the General Fund, the first note in an amount of \$7,297,000 was pledged from the airport rates and charges, the second note in an amount of \$7,649,000 was pledged from the passenger facility charge (PFC) as authorized by the Federal Aviation Administration.

On September 5, 2001 the Airport refinanced its PFC note to the General Fund with a portion of the proceeds of the City of Baton Rouge, August 1, 2001, Public Improvement Sales Tax Revenues Bonds, Series 2001A. The remaining principal amount of \$5,212,000 on the 1997 PFC note was refunded and replaced with the 2001 PFC note. State and local government securities were purchased with the these proceeds and will mature on the dates necessary to service the original 1997 City Debt.

Payments on the Rates and Charges obligation to the City by the Airport District are recorded as miscellaneous revenues in the General Fund and as a long-term obligation of the Airport District. Total principal paid prior to 2001 was \$2,609,333. In 2001, a principal payment of \$901,167 reduced the obligation payable to \$3,786,500. Scheduled maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 973,250	\$171,075	\$1,144,325
2003	1,042,417	125,167	1,167,584
2004	1,104,667	79,373	1,184,040
2005	<u>666,166</u>	<u>29,978</u>	<u>696,144</u>
Total	<u>\$3,786,500</u>	<u>\$405,593</u>	<u>\$4,192,093</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

11. Obligations of Intragovernmental Agencies (Continued)

c. Greater Baton Rouge Airport District - Passenger Facility Charge Obligation

The Greater Baton Rouge Airport District is obligated under the Second Amended Intergovernmental Contract dated August 1, 2001, and the Passenger Facility Charge Note of \$5,400,000 to make semi-annual payments to the City General Fund over a twenty-year period. In 2001, a principal payment of \$52,083 reduced the obligation payable to \$5,347,917. Scheduled maturities and interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 129,167	\$ 268,813	\$ 397,980
2003	139,167	258,480	397,647
2004	151,250	247,347	398,597
2005	164,166	235,247	399,413
2006	176,250	222,113	398,363
2007 and after	<u>4,587,917</u>	<u>1,908,413</u>	<u>6,496,330</u>
Total	<u>\$5,347,917</u>	<u>\$3,140,413</u>	<u>\$8,488,330</u>

d. East Baton Rouge Sewerage Commission

On April 1, 1992, the City of Baton Rouge issued \$85,000,000 in Public Improvement Sales Tax Revenue Bonds, Series 1992A (20 year term), for the purpose of providing funds to finance the acquisition of an undivided interest in the sewerage system owned and/or operated by the East Baton Rouge Sewerage Commission (the "Commission"). The Commission used the proceeds to refund the outstanding portion of the \$27,000,000 Public Improvement Certificates of Indebtedness and to defease the callable portion of the \$70,000,000 Sewer Revenue Bonds, Series 1987.

The Commission, through an act of credit sale, repurchased the undivided interest in the sewerage system previously sold to the City of Baton Rouge for \$76,999,452. This transaction is recorded as a long-term obligation in the Comprehensive Sewerage System Fund. Payments to the City by the Commission are required semi-annually over a 19 year period. These payments are recorded as miscellaneous revenues in the General Fund, and will fully offset the impact that the scheduled debt service payments on the \$85,000,000 Public Improvement Sales Tax Revenue Bonds have on the General Fund. Total principal paid prior to 2001 was \$29,269,503. In 2001, a \$2,960,617 principal payment reduced the obligation payable to \$44,769,332. Scheduled maturities and future interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 3,190,577	\$ 3,687,202	\$ 6,877,779
2003	3,466,960	3,424,426	6,891,386
2004	3,766,221	3,138,887	6,905,108
2005	4,095,228	2,828,702	6,923,930
2006	4,453,147	2,491,419	6,944,566
2007 and after	<u>25,797,199</u>	<u>6,270,376</u>	<u>32,067,575</u>
	<u>\$44,769,332</u>	<u>\$21,841,012</u>	<u>\$66,610,344</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

12. Louisiana Community Development Authority Loan

In 1999, the Metropolitan Council authorized the Parish to execute a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority (the "LCDA") for the purpose of providing funds for the construction of the Advanced Traffic Management Facility and other capital programs of the City-Parish. A total of \$7,643,873 was loaned to the Parish on the 1999 program. A total of \$2,118,873 has been repaid, leaving an outstanding balance on this loan of \$5,525,000 as of December 31, 2001. Future debt service is budgeted over an 18 year period at 2.5%.

In 2001, the City applied for an additional LCDA Loan for the Greater Baton Rouge Airport District to provide funds for airport improvements. A total of \$1,186,272 was loaned to the City and a \$1,600 principal payment was made in 2001. As of December 31, 2001, the airport enterprise fund has recorded a direct obligation of \$1,184,672. Future debt service is budgeted over a 28 year period at 2.649%. Total LCDA authorization for the loan to the Airport is \$9,000,000. Funds are drawn down as the expenses are made on airport projects.

The interest rate on both notes fluctuate weekly with changes in the Bond Market Association (BMA) Municipal Swap Index. The weekly BMA Swap Index rate plus 100 basis points constitutes the Participant Rate charged to the City-Parish.

13. State Municipal Police Employees Retirement System Note

During the year 2000, the City of Baton Rouge entered into a merger agreement with the State Municipal Police Employees' Retirement System (MPERS) effective February 26, 2000. The City offered a voluntary transfer to City law enforcement employees that qualified to enter into the State system. The City signed a long-term note with MPERS in the amount of \$72,738,769. The 30 year note amount represents 60% of the initial merger liability for transferred police officer MPERS retirement benefits on February 26, 2000. The note bears interest at 7% per annum. Principal and interest are payable on the first day of each calendar quarter. The outstanding amount of the note (\$71,356,024) is reported as a governmental activities long-term obligation as of December 31, 2001, on the Government-wide Statement of Net Assets.

14. Prior Year Refundings - Deferred Amount, Business-Type Activities

On March 1, 1996, the Parish issued \$65,000,000 of Public Improvement Sales Tax Revenue Bonds, Series ST-1996, to refund and defease in substance the callable portion of the 1989 Public Improvement (Sewer) Sales Tax Revenue Bonds, Series ST-1989 (net interest cost rate - 6.933%; principal refunded - \$36,300,000, called February 1, 1999). As a result of the refunding, the City-Parish recognized a Deferred Amount on Refunding of \$2,710,061. This recognition is required by GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*. As of December 31, 2001, \$1,256,588 of the Deferred Amount on Refunding was amortized (\$206,403 in 2001 and \$1,050,185 in prior years) resulting in a net Deferred Amount on Refunding of \$1,453,473. This is reflected as a reduction of bonds payable on the balance sheet for the Comprehensive Sewerage System Fund.

On November 1, 1998, the Parish issued \$16,825,000 of Public Improvement (Sewer) Sales Tax Revenue Bonds, Series ST-1998B, to refund and defease in substance the callable portion of the 1991 Public Improvement (Sewer) Sales Tax Revenue Bonds, Series ST-1991 (net interest cost - 6.67%; principal refunded - \$15,690,000, called February 1, 2001). As a result of refunding the callable portion of the \$20,000,000 Public Improvement (Sewer) Sales Tax Revenue Bonds, Series ST-1991 (with the Series ST-1998B bonds), on November 1, 1998, the City-Parish recognized a Deferred Amount on Refunding in the amount of \$1,291,440. This recognition is required by GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*. As of December 31, 2001, \$276,818 of the Deferred Amount on Refunding was amortized (\$114,521 in 2001 and \$162,297 in prior years) resulting in a net Deferred Amount on Refunding of \$1,014,622. This is reflected as a reduction of bonds payable on the balance sheet for the Comprehensive Sewerage System Fund.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

15. Bonds of Other Governmental Units

Bonds of the East Baton Rouge Consolidated School District and the City of Zachary are obligations of other governmental units located within the limits of the Parish of East Baton Rouge. These bonds are not included in these financial statements because they are not obligations of this governmental unit.

Bonds of the Recreation and Park Commission and the Hospital Service District No. 1 are obligations of City-Parish related organizations; however, neither the City of Baton Rouge nor East Baton Rouge Parish holds responsibility for the debt of these entities.

16. Port Authority Bonds

East Baton Rouge and other surrounding parishes are situated within the limits of the Greater Baton Rouge Port Commission. Outstanding obligations of the port are secured by a pledge of the full faith and credit of East Baton Rouge and other parishes in the district. However, the Supreme Court of the State of Louisiana has held that the pledge of the full faith and credit of the State comes before the pledges of the credit of the various parishes. Therefore, East Baton Rouge Parish does not have any potential liability with respect to the bonds of the port.

17. Arbitrage Liability

Section 148 of the Internal Revenue Code of 1986, as amended, requires that issuers of tax exempt debt make arbitrage calculations annually on bond issues issued after August 31, 1986, to determine whether an arbitrage rebate liability exists between the issuer and the U.S. Department of the Treasury. Arbitrage is the difference (or profit) earned from borrowing funds at tax exempt rates and investing the proceeds in higher yielding taxable securities.

Arbitrage rebate calculations made on December 31, 2001, for the City-Parish show arbitrage rebate liabilities to the U.S. Department of Treasury for the following Public Improvement Sales Tax Bonds:

<u>Bond Issue</u>	<u>Arbitrage Liability</u>
Governmental Activities:	
City of Baton Rouge:	
\$ 4,000,000; Series 1993	\$ 4,353
\$19,325,000; Series 1997	153,711
\$ 4,600,000; Series 1998-C	<u>10,194</u>
Total Governmental Activities	<u>\$168,258</u>
Business-type Activities:	
City of Baton Rouge:	
\$19,325,000; Series 1997 (Airport Projects)	\$330,904
Parish of East Baton Rouge:	
\$70,000,000; Series ST-1993-A (Sewer)	18,267
\$36,000,000; Series ST-1995 (Sewer)	<u>46,774</u>
Total Business-Type Activities	<u>\$ 395,945</u>

These business-type activities arbitrage rebate liabilities have been recorded as "Due to Other Governments" in their respective enterprise fund. The governmental activities arbitrage rebate liability has been included as a liability in the Government-wide Statement of Net Assets.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

18. Conduit Debt Obligations

The Parish and Parish Special Districts have issued industrial development revenue bonds and industrial pollution control revenue bonds. These bonds are limited obligations of the Parish or District payable from revenues of the projects. The bonds are not a charge upon other income of the Parish or District nor are they a charge against the credit or taxing power of the District, the Parish of East Baton Rouge, or the City of Baton Rouge.

As of December 31, 2001, there were 60 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$260,000,000.

b. Component Units

A summary of the long-term obligations for component units of the City-Parish is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>
<u>District Attorney of the Nineteenth Judicial District</u>				
Net pension obligation	\$ 55,857	\$ 66,463	\$ --	\$ 122,320
<u>Nineteenth Judicial District Court</u>				
Compensated absences payable	\$ 533,811	\$ --	\$ 47	\$ 533,764
Net pension obligation	6,712	61	--	6,773
Total	<u>\$ 540,523</u>	<u>\$ 61</u>	<u>\$ 47</u>	<u>\$ 540,537</u>
<u>E.B.R. Parish Family Court</u>				
Net pension obligation	\$ 2,360	\$ 13,387	\$ --	\$ 15,747
<u>E.B.R. Parish Juvenile Court</u>				
Compensated absences payable	\$ 126,119	\$ 12,924	\$ --	\$ 139,043
Net pension obligation	25,114	13,347	--	38,461
Total	<u>\$ 151,233</u>	<u>\$ 26,271</u>	<u>\$ --</u>	<u>\$ 177,504</u>
<u>E.B.R. Parish Clerk of Court</u>				
Compensated absences payable	\$ 326,625	\$ --	\$ 3,257	\$ 323,368
<u>E.B.R. Parish Coroner</u>				
Compensated absences payable	\$ --	\$ 1,594	\$ --	\$ 1,594
Obligation under capital leases	1,694	--	1,694	--
Net pension obligation	19,497	7,546	--	27,043
Total	<u>\$ 21,191</u>	<u>\$ 9,140</u>	<u>\$ 1,694</u>	<u>\$ 28,637</u>
<u>St. George Fire Protection District</u>				
Bonds and notes payable	\$2,170,477	\$3,040,842	\$2,170,477	\$3,040,842
Compensated absences payable	317,344	440,516	403,788	354,072
Net pension obligation	--	39,599	--	39,599
Total	<u>\$2,487,821</u>	<u>\$3,520,957</u>	<u>\$2,574,265</u>	<u>\$3,434,513</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

b. Component Units (Continued)

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>
<u>Brownsfield Fire Protection District</u>				
Obligation under capital leases	\$ 43,424	\$ --	\$ 11,575	\$ 31,849
Net pension obligation	<u>3,370</u>	<u>3,920</u>	<u>--</u>	<u>7,290</u>
Total	<u>\$ 46,794</u>	<u>\$ 3,920</u>	<u>\$ 11,575</u>	<u>\$ 39,139</u>
<u>Central Fire Protection District</u>				
Compensated absences payable	\$ 73,134	\$ 11,363	\$ --	\$ 84,497
Obligation under capital leases	325,068	--	46,016	279,052
Net pension obligation	<u>8,600</u>	<u>11,175</u>	<u>--</u>	<u>19,775</u>
Total	<u>\$ 406,802</u>	<u>\$ 22,538</u>	<u>\$ 46,016</u>	<u>\$ 383,324</u>
<u>E.B.R. Parish Fire Protection District No. 6</u>				
Bonds payable	\$ 102,000	\$ --	\$ 34,000	\$ 68,000
Compensated absences payable	8,030	--	6,953	1,077
Obligation under capital leases	126,787	--	22,717	104,070
Net pension obligation	<u>2,967</u>	<u>8,493</u>	<u>--</u>	<u>11,460</u>
Total	<u>\$ 239,784</u>	<u>\$ 8,493</u>	<u>\$ 63,670</u>	<u>\$ 184,607</u>
<u>Eastside Fire Protection District</u>				
Notes payable	\$ 697,000	\$ --	\$ 145,500	\$ 551,500
Compensated absences payable	29,754	19,223	--	48,977
Obligation under capital leases	272,551	99,500	61,836	310,215
Net pension obligation	<u>--</u>	<u>2,369</u>	<u>--</u>	<u>2,369</u>
Total	<u>\$ 999,305</u>	<u>\$ 121,092</u>	<u>\$ 207,336</u>	<u>\$ 913,061</u>
<u>Alsen-St. Irma Lee Fire Protection District</u>				
Obligation under capital leases	<u>\$ 124,860</u>	<u>\$ 94,238</u>	<u>\$ 30,190</u>	<u>\$ 188,908</u>
Total component units long-term debt	<u>\$5,403,155</u>	<u>\$3,886,560</u>	<u>\$2,938,050</u>	<u>\$6,351,665</u>

NOTE 11 - Receivables and Payables

a. Balances due to/from other funds at December 31, 2001, consist of the following:

\$ 86,753	Due to the General Fund from the Greater Baton Rouge Airport District representing accrued interest on intragovernmental debt between the Airport District and the City.
15,603,533	Due to the Capital Projects Fund from other governmental funds (Library Board of Control Fund and Emergency Medical Services Fund) representing unspent balances on construction projects appropriated in the Capital Projects Fund.
7,939,041	Due to the Comprehensive Sewerage System Fund from other governmental funds (Downtown Development District and B.R. Fire Department Pay Enhancement Fund), other enterprise funds (G.B.R. Parking Authority), and the Greater Baton Rouge Airport District representing short-term loans.

\$23,629,327

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 11 - Receivables and Payables (Continued)

a. Balances due to/from other funds at December 31, 2001 (Continued)

Summary of balances due from (to) other funds reported in fund financial statements and net internal balances as reported in the Statement of Net Assets:

	Due From Other Funds	Due (To) Other Funds	Net Internal Balances
Balance Sheet - Governmental Funds	\$15,690,286	\$(21,732,996)	\$(6,042,710)
Statement of Net Assets - Proprietary Funds	<u>7,939,041</u>	<u>(1,896,331)</u>	<u>6,042,710</u>
Totals	<u>\$23,629,327</u>	<u>\$(23,629,327)</u>	<u>\$ --</u>

b. Due From Other Governments by governmental agencies for the Primary Government consists of the following at year-end:

	Federal	State	School Board	Sheriff	Other	Total
<u>Governmental Activities:</u>						
General Fund	\$ --	\$ 590,989	\$217,460	\$13,158,569	\$ 834,517	\$14,801,535
Capital Projects Fund	--	2,720,095	--	186,009	--	2,906,104
Nonmajor governmental Funds	1,699,270	2,543,636	--	30,436,548	404,259	35,083,713
Internal Service Funds	--	--	--	--	2,149	2,149
Adjustments to full accrual basis of accounting	--	99,857	--	1,097,699	236,665	1,434,221
<u>Business-type Activities:</u>						
Greater Baton Rouge Airport District	3,494,883	3,600,946	--	--	--	7,095,829
Comprehensive Sewerage System Fund	828,111	33	--	23	180,422	1,008,589
Nonmajor enterprise funds	--	<u>215,922</u>	--	--	--	<u>215,922</u>
Totals	<u>\$6,022,264</u>	<u>\$9,771,478</u>	<u>\$217,460</u>	<u>\$44,878,848</u>	<u>\$1,658,012</u>	<u>\$62,548,062</u>

Summary of balances due from other governments reported on the Statement of Net Assets:

Current assets - Due from other governments	\$54,227,745
Restricted assets - Due from other governments	<u>8,320,317</u>
Totals	<u>\$62,548,062</u>

c. Receivable and payable balances at year-end between the Primary Government and Component Units were as follows:

	Due (To)/From Primary Government	Due (To)/From Component Units
<u>Primary Government:</u>		
General Fund	\$ --	\$ (124,311)
Enterprise Funds:		
Comprehensive Sewerage System Fund	--	101,734
<u>Component Units:</u>		
Nineteenth Judicial District Indigent Defender Board	124,311	--
Brownsfield Fire Protection District	(86,566)	--
Chaneyville Fire Protection District	(8,652)	--
Alsen-St. Irma Lee Fire Protection District	<u>(6,516)</u>	<u>--</u>
Total	<u>\$ 22,577</u>	<u>\$ (22,577)</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 12 - Interfund Transfers

a. Interfund transfers at December 31, 2001 consist of the following:

\$ 726,615	From the General Fund to other governmental funds (City Constable Court Costs Fund, Downtown Development District, Animal Control Center Fund, and the Grants Fund) to subsidize operations.
4,832,044	From the General Fund to the Comprehensive Sewerage System Fund and other enterprise funds (G.B.R. Parking Authority and the Riverside Centroplex Fund) to subsidize operations.
255,003	From the General Fund to other governmental funds (Grants Fund) to provide local match on Federal and State grants.
63,844	From the General Fund to the Capital Projects Fund to provide local match on Federal and State Grants.
6,957,636	From the General Fund to other governmental funds (Excess Revenue and Limited Tax Fund) to pay debt service requirements on outstanding debt.
1,272,870	From the General Fund to the Capital Projects Fund to increase funding for the Highland Road and Monterrey Blvd. Fire Station Projects.
185,600	From the General Fund to other enterprise funds (Riverside Centroplex Fund) to provide additional funding for the Centroplex Expansion Project.
16,845,980	Between the City and Parish Sub Funds created in accordance with <u>The Plan of Government</u> . A legally binding Local Services Agreement exists between the City of Baton Rouge and the Parish of East Baton Rouge whereby they engage jointly to provide certain services or activities, and fulfill certain obligations.
1,599,624	From the Capital Projects Fund to other governmental funds (City Sales Tax Bonds Debt Service Fund) to create a debt service reserve for the 2001 Sales Tax Revenue Bonds.
1,840,373	From the Capital Projects Fund to other governmental funds (Excess Revenue and Limited Tax Fund) to advance pay debt service principal on the LA Community Development Authority Loan.
482,838	From the Capital Projects Fund to the Comprehensive Sewerage System Fund and other enterprise funds (Riverside Centroplex Fund and Solid Waste Disposal Facility Fund) to pay capital outlay expenses.
9,390,000	From other governmental funds (Library Board of Control Fund) to the Capital Projects Fund to provide funding for building branch libraries.
14,153	From other governmental funds (Library Board of Control Fund) to other governmental funds (Grants Fund) to provide local match on grants.
56,169	From other governmental funds (E.B.R. Parish Communications District) to other governmental funds (Excess Revenue and Limited Tax Fund) to pay debt service requirements on capital lease.
372,740	From other governmental funds (Emergency Medical Services Fund) to other governmental funds (E.B.R. Parish Communications District) to subsidize operations.
1,478,152	From other governmental funds (Consolidated Garbage Service District and State and Local Government Securities Debt Service Fund) to reimburse the General Fund for debt service payments funded by City sales tax.
65,130	From other governmental funds (State and Local Government Securities Debt Service Fund) to the Greater Baton Rouge Airport District for proceeds received from issuance of bonds.
<u>\$ 46,438,771</u>	Total

Summary of transfers in and (out) reported in fund financial statements and net transfers as reported in the Statement of Activities:

	<u>Transfers In</u>	<u>Transfers (Out)</u>	<u>Net Transfers</u>
Statement of Revenues, Expenditures, and Changes in Fund			
Balances - Governmental Funds	\$40,873,159	\$(46,438,771)	\$(5,565,612)
Statement of Revenues, Expenses, and Changes in Fund			
Net Assets - Proprietary Funds	<u>5,565,612</u>	<u>--</u>	<u>5,565,612</u>
Totals	<u>\$46,438,771</u>	<u>\$(46,438,771)</u>	<u>\$ --</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 12 - Interfund Transfers (Continued)

- b. The following exchange of funds between the Primary Government and its discretely presented component units during 2001 are classified as external transactions on the Government-wide Statement of Activities:

	Operating Exchanges (To)/From Primary <u>Government</u>	Operating Exchanges (To)/From Component <u>Units</u>
<u>Primary Government:</u>		
General Fund	\$ --	\$(10,836,724)
Non-major Special Revenue Fund		
Parish Transportation Fund	--	(947,230)
<u>Component Units:</u>		
District Attorney of the Nineteenth Judicial District	2,942,798	--
Nineteenth Judicial District Court	3,794,429	--
E.B.R. Parish Family Court	533,622	--
E.B.R. Parish Juvenile Court	675,764	--
Nineteenth Judicial District Indigent Defender Board	149,406	--
E.B.R. Parish Clerk of Court	869,410	--
E.B.R. Parish Coroner	587,506	--
Brownsfield Fire Protection District	17,590	--
Central Fire Protection District	37,980	--
E.B.R. Parish Fire Protection District No. 6	71,170	--
Eastside Fire Protection District	33,770	--
Pride Fire Protection District	11,470	--
Chaneyville Fire Protection District	22,930	--
Alsen-St. Irma Lee Fire Protection District	26,570	--
Capital Transportation Corporation	<u>2,009,539</u>	<u>--</u>
Total	<u>\$11,783,954</u>	<u>\$(11,783,954)</u>

NOTE 13 - Risk Management

a. **Types of Risk**

The City-Parish is self-insured for unemployment compensation, workers' compensation, general liability, automobile liability, and police liability, including liability for probation officers and constables.

For fire and extended coverage, the City-Parish is self-insured for buildings and contents owned by the City-Parish with a combined value of less than \$1,000,000 and carries an insurance policy for all other locations with a combined \$1,000,000 deductible. There were no settlements that exceeded insurance coverage for the past three years.

b. **Accounting for Risk**

In accordance with GASB Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* and the 1999-2000 *Codification of Governmental Accounting and Financial Reporting Standards* of the Governmental Accounting Standards Board, the City-Parish accounts for and reports risk management activities in the general fund within the constraints of the modified accrual basis of accounting. Claims paid under the self-insurance risk activities are recorded

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 13 - Risk Management (Continued)

b. Accounting for Risk (Continued)

as expenditures against the General Fund. Annual fees based on reduced market premiums are charged to special revenue funds and proprietary fund types, with corresponding credits to General Fund expenditures. Long-term obligations that are not expected to be liquidated with expendable available financial resources are reported in the Government-wide Statement of Net Assets under governmental activities. There were no major changes in insurance coverage for the year ended December 31, 2001.

c. Contingent Liabilities - Claims and Judgments

The City-Parish is a defendant in various tort claims and lawsuits involving general liability, automobile liability, personnel suits, and contractual matters. In accordance with FASB Statement No. 5, *Accounting for Contingencies*, litigation and other claims against the City-Parish for which there is at least a reasonable possibility of loss by the Parish Attorney are estimated as of the balance sheet date.

The estimated amount of liability is based on current Louisiana laws and judgments rendered in similar matters. FASB No. 5 requires the accrual of a loss contingency if it is probable that an asset has been impaired or a liability incurred, whether or not it has been reported, and that the amount of loss can be reasonably estimated. In accordance with GASB Statement No. 30, *Risk Financing Omnibus*, claims liabilities are based on an estimated ultimate cost of settling the claims, considering the effects of inflation, recent claim settlement trends and other social and economic factors, including the effects of specific incremental claim adjustment expenses, salvage and subrogation.

An amount of \$33,630,692 has been recorded as a long-term obligation on the Government-wide Statement of Net Assets for estimated claims and judgments for risk management purposes. Incremental claim costs as required by GASB Statement No. 30, account for approximately 2% of that total. It is the government's policy to pay judgments against the City-Parish on a current basis from available financial resources of the General Fund.

d. Employee Benefits

The City-Parish is self-insured and maintains a minimum premium plan for the group health and dental programs, providing medical and dental coverage to those City-Parish employees who choose to participate. During 2001, the City-Parish contributed 65% of the premium and employees contributed 35%. The government's share of the health and dental premium in the self-insured program is charged to individual budget accounts. Claims paid by the government in excess of the premium base for any given year are covered 100% by the General Fund. Any surplus of premiums over claims within a single fiscal year are recognized as "operating transfers in" to the General Fund and increase Fund Balance Designated for Insurance.

The estimated value of self-insured claims incurred but not reported or paid as of December 31, 2001, for group health and dental are as follows:

Self-funded medical	\$4,539,535
Self-funded dental	<u>200,000</u>
Total estimate	<u>\$4,739,535</u>

This amount has been included on the Government-wide Statement of Net Assets for December 31, 2001.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 13 - Risk Management (Continued)

e. Changes in Liabilities for Claims

The following is a reconciliation of changes in long-term claims payable for the years ended December 31, 2001, 2000, and 1999:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
<u>Claims and Judgments Payable:</u>			
Beginning Balance	\$30,491,378	\$41,809,000	\$ 40,507,000
Additions:			
Claims Incurred & Changes in Estimate	17,214,780	3,323,561	12,614,119
Deductions:			
Claims Paid	(3,232,943)	(1,309,037)	(3,349,589)
Claims Dismissed & Changes in Estimate	<u>(10,842,523)</u>	<u>(13,332,146)</u>	<u>(7,962,530)</u>
Ending Balance	<u>\$33,630,692</u>	<u>\$30,491,378</u>	<u>\$ 41,809,000</u>
 <u>Employee Benefits Payable:</u>			
Beginning Balance	\$ 4,082,211	\$ 4,560,643	\$ 5,453,047
Additions:			
Claims Incurred	9,789,211	8,579,938	11,769,037
Deductions:			
Claims Paid	<u>(9,131,887)</u>	<u>(9,058,370)</u>	<u>(12,661,441)</u>
Ending Balance	<u>\$ 4,739,535</u>	<u>\$ 4,082,211</u>	<u>\$ 4,560,643</u>

f. Insurance Designation

The City-Parish maintains a practice of designating a portion of General Fund fund balance for self-insurance purposes. The designation is made in addition to the annual recurring appropriation of approximately \$9.1 million. The amount designated for insurance at December 31, 2001, was determined as follows:

Insurance Designation, December 31, 2000	\$22,590,185
Less: Appropriations from Insurance Designation for risk management purposes	(1,845,690)
Plus: Additional amount designated for insurance by authority of the Budget Ordinance	2,526,040
Interest earned on designated funds during 2001	<u>1,107,332</u>
Insurance Designation, December 31, 2001	<u>\$24,377,867</u>

NOTE 14 - Lease Commitments

Leases are accounted for in accordance with Section L20 of the GASB Codification and NCGA Statement No. 5 which require governments to use the criteria contained in FASB Statement No. 13, *Accounting for Leases*, and GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, to classify leases as capital or operating leases. The GASB Codification and NCGA Statement No. 5 also require that assets under capital leases be recorded as capital assets and the lease obligation be recorded as long-term debt in the Government-wide Statement of Net Assets. Component unit leases are recorded in the same manner as those of the Primary Government.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 14 - Lease Commitments (Continued)

a. Primary Government - Capital Leases

The City-Parish has entered into lease agreements to acquire or obtain the use of machinery equipment, communication equipment, office equipment, transportation equipment, and office space. The lease terms range from 36 to 84 months. All equipment leases will expire during the next three years. The amount necessary to reduce net minimum lease payments to present value is calculated by comparing the implicit rate and the incremental rate at the inception of the lease and using the lower of the two rates. The rate used in calculating present value ranges from 4.25% to 7.14%. The lease payments are expected to remain the same throughout the term of the leases. The City-Parish has the option to purchase the equipment at a bargain price at the end of the lease term or in most cases title transfers to the City-Parish at the end of the leases. The lease agreements contain a fiscal funding clause which generally provides for cancellation in the event the Metropolitan Council does not appropriate funds in subsequent years for the lease payments.

During 2001, the City-Parish did not initiate any new lease agreements for the primary government. The majority of lease agreements entered into by the City-Parish in previous years were due to the Equipment Use Charge Program approved by the Council during 1989. The Equipment Use Charge Program is a plan whereby the Fleet Rental and Replacement Fund leases and maintains motorized equipment for use by the Department of Public Works. The Fleet Rental and Replacement Fund charges the user agency an equipment use charge to cover the total cost to operate the equipment including repair costs and purchase price. The objective of this program is to replace motorized equipment in a timely manner while minimizing costs.

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2001:

	Governmental Activities
2002	\$ 923,270
2003	391,805
2004	<u>5,240</u>
Total minimum lease payments	1,320,315
Less: amount representing interest	<u>(53,305)</u>
Present value of net minimum lease payments	<u><u>\$1,267,010</u></u>

Asset balances as of December 31, 2001, for equipment under capital lease by major classes are as follows:

<u>Classes of Equipment</u>	Capital Assets Governmental Activities
Machinery equipment	\$ 2,906,653
Office equipment	5,053
Communication equipment	245,408
Transportation equipment	<u>134,878</u>
Subtotal	3,291,992
Less: accumulated depreciation	<u>(1,257,548)</u>
Total	<u><u>\$ 2,034,444</u></u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 14 - Lease Commitments (Continued)

b. Component Units - Capital Leases

Parish Fire Protection Districts

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments, as of December 31, 2001, for the parish fire protection districts:

	Brownsfield Fire Protection District	Central Fire Protection District	E.B.R. Parish Fire Protection District No. 6	Eastside Fire Protection District	Alsen- St. Irma Lee Fire Protection District
2002	\$13,656	\$ 67,117	\$ 29,690	\$ 81,933	\$ 48,151
2003	13,656	67,117	29,690	81,933	48,151
2004	6,828	67,117	29,690	81,933	48,151
Thereafter	<u>--</u>	<u>134,334</u>	<u>29,690</u>	<u>102,448</u>	<u>64,013</u>
Total minimum lease payments	34,140	335,685	118,760	348,247	208,466
Less: amount representing interest	<u>(2,291)</u>	<u>(56,633)</u>	<u>(14,690)</u>	<u>(38,032)</u>	<u>(19,558)</u>
Present value of net minimum lease payments	<u>\$31,849</u>	<u>\$279,052</u>	<u>\$104,070</u>	<u>\$310,215</u>	<u>\$188,908</u>

Asset balances as of December 31, 2001, for equipment under capital lease by major classes for the parish fire protection districts are as follows:

<u>Classes of Equipment</u>	Brownsfield Fire Protection District	Central Fire Protection District	E.B.R. Parish Fire Protection District No. 6	Eastside Fire Protection District	Alsen- St. Irma Lee Fire Protection District
Machinery equipment	\$ --	\$437,604	\$278,011	\$ --	\$256,663
Transportation equipment	<u>48,980</u>	<u>--</u>	<u>--</u>	<u>440,613</u>	<u>--</u>
Total equipment under capital lease	<u>\$48,980</u>	<u>\$437,604</u>	<u>\$278,011</u>	<u>\$440,613</u>	<u>\$256,663</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 14 - Lease Commitments (Continued)

c. Operating Leases

1. Primary Government

Most operating leases contain one of the following options: (a) the City-Parish can, after the initial lease term, purchase the property at the fair value of the property or (b) the term can be extended on a month-to-month basis until either the City-Parish returns the equipment to the Lessor or the Lessor terminates the lease by a ten day written notice. In most cases, leases are renewed or replaced by other leases. The City-Parish does not have any operating leases with scheduled rent increases.

Operating lease payments during 2001 totaled \$312,688. The future minimum rental payments as of December 31, 2001, total \$68,727 all due in year 2002.

2. Component Unit - Fire Districts

St. George Fire Protection District is obligated under several operating leases for two buildings and equipment. These leases will expire over the next four years. Operating lease payments during 2001 totaled \$44,896. The future annual minimum lease payments under these operating leases as of December 31, 2001, is \$65,639.

Central Fire Protection District is obligated under several operating leases which expire over the next five years, for a building and equipment. Operating lease payments during 2001 totaled \$10,126. The future annual minimum lease payments under these operating leases as of December 31, 2001, is \$29,515.

3. Component Unit - Nineteenth Judicial District Indigent Defender Board

The Nineteenth Judicial District Indigent Defender Board is obligated under several operating leases which expire over the next three years, for a building and equipment. Operating lease payments during 2001 totaled \$20,287. The future annual minimum lease payments under these operating leases as of December 31, 2001, is \$189,303.

NOTE 15 - Communications District Wireless E911 Service

Act 1029 of the 1999 Louisiana Legislative Session authorizes the parish governing authority of a communication district to levy an emergency telephone service charge on wireless communications systems to pay the costs of implementing FCC ordered enhancements to the E911 system. The act further requires that governing authorities disclose in the audited financial statements information on the revenues derived from the service charge, the use of such revenues, and the status of implementation of wireless E911 service.

The East Baton Rouge Parish Communications District Board of Commissioners enacted Resolution No. 001/2000 on March 17, 2000, assessing an emergency telephone service charge of \$0.50 per month per wireless Commercial Mobile Radio Service (CMRS) user. The Communications District collected revenues of \$399,863 during the year 2000 and \$943,927 during the year 2001. These revenues were recognized in the East Baton Rouge Communications District Special Revenue Fund and will be used to pay the costs of technological enhancements to the E911 system. A total of \$85,368 had been expended at December 31, 2001, for these purposes.

NOTE 16 - Segments of Enterprise Activities

On January 1, 1978, Parking Revenue bonds were issued in the amount of \$6,875,000 for the purpose of constructing a multi-level parking facility. As security for payments, the City-Parish has pledged to dedicate gross receipts derived from the project, as well as its parking revenues from the existing Plaza Garage, Arena Lot, and designated on-street parking meters. Any additional sums required are unconditionally obligated to be budgeted and paid from the General Fund.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 16 - Segments of Enterprise Activities (Continued)

CONDENSED STATEMENT OF NET ASSETS

Assets:	
Current assets	\$ 2,820
Restricted assets	1,034,294
Capital assets	<u>2,362,727</u>
Total assets	<u>3,399,841</u>
Liabilities:	
Current liabilities	39,981
Due to other funds	483,165
Current liabilities payable from restricted assets	561,067
Noncurrent liabilities	<u>581,690</u>
Total liabilities	<u>1,665,903</u>
Net assets:	
Invested in capital assets, net of related debt	1,277,727
Restricted	999,711
Unrestricted	<u>(543,500)</u>
Total net assets	<u>\$ 1,733,938</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Auto parking charges	\$ 621,837
Miscellaneous revenues	553
Depreciation expense	(402,347)
Other operating expenses	<u>(337,918)</u>
Operating loss	(117,875)
Nonoperating revenues (expenses):	
Investment earnings	12,703
Interest expense	(95,214)
Gain (loss) on disposition of capital assets	(3,111)
Transfers in	<u>387,770</u>
Change in net assets	184,273
Total net assets - January 1	<u>1,549,665</u>
Total net assets - December 31	<u>\$ 1,733,938</u>

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided by (used for):	
Operating activities	\$ 296,230
Noncapital financing activities	(174,997)
Capital and related financing activities	(599,786)
Investing activities	<u>43,353</u>
Net increase (decrease)	(435,200)
Cash and cash equivalents, January 1	<u>1,468,498</u>
Cash and cash equivalents, December 31	<u>\$ 1,033,298</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 17 - Restricted Assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

	Greater Baton Rouge Airport District	Comprehensive Sewerage System	Other Enterprise Total	Total
Cash for capital projects	\$ --	\$ 26,475,125	\$4,021,733	\$ 30,496,858
Sales tax revenue bonds construction accounts	--	52,909,892	--	52,909,892
Sales tax revenue bonds debt service accounts	--	35,425,669	--	35,425,669
Revenue bonds debt service accounts	--	--	1,033,298	1,033,298
Sales taxes receivable reserved for capital projects	--	--	51,173	51,173
Accounts receivable - net passenger facility charges	117,969	--	--	117,969
Accrued interest receivable - cash for capital projects	--	58,781	10,876	69,657
Accrued interest receivable - sales tax revenue bonds trustee accounts	--	573,999	996	574,995
Accrued interest receivable - passenger facility charges	150	--	--	150
Due from other governments - impact fees	--	180,421	--	180,421
Due from other governments - federal and state grants	<u>7,095,829</u>	<u>828,145</u>	<u>215,922</u>	<u>8,139,896</u>
Total restricted assets	<u>\$7,213,948</u>	<u>\$116,452,032</u>	<u>\$5,333,998</u>	<u>\$128,999,978</u>

NOTE 18 - Passenger Facility Charges - Greater Baton Rouge Airport District

On September 28, 1992, the Greater Baton Rouge Airport District (Airport) received approval from the Federal Aviation Administration (FAA) to impose a \$3.00 passenger facility charge (PFC) in accordance with Section 158.29 of the Federal Aviation Regulations (Title 14, Code of Federal Regulations, Part 158).

FAA regulations require that PFC revenues be recognized and recorded as non-operating revenues in the year the fees are collected by the air carriers (not when the funds are spent). This provision requires that airports accrue PFC revenues at fiscal year-end.

FAA regulations also require certain Financial Statement Disclosures with regard to passenger facility charges. Any PFC revenue received, but not yet spent, along with interest income, is classified as restricted net assets on the Statement of Net Assets. On the Statement of Revenues, Expenses, and Changes in Fund Net Assets, PFC revenue is classified as non-operating revenue, while on the Statement of Cash Flows, PFC collections are classified as capital in nature.

The Airport began assessing the fee on December 1, 1992, and the FAA approved a total collection of \$9,823,159 over a six year period ending December 1, 1998. On February 14, 1997, the FAA approved an additional collection of \$10,157,206 over an eleven year period commencing June 1, 1997, and ending June 1, 2008. The collection periods were based on information submitted to the FAA by the Airport.

On April 23, 1993, the Airport received approval from the FAA to use PFC revenues to fund certain airport projects. The list of approved projects was amended by the FAA on February 14, 1997.

On July 18, 2000, the FAA approved an additional \$8,912,110 with the date of collection the same, and the estimated charge expiration date of August 1, 2016. The FAA also approved a new project in the amount of \$6,504,390 on July 25, 2000, with an estimated charge expiration date of January 1, 2022. The total amount of approved projects are shown in the following table.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

EXHIBIT A - 15
(Continued)

NOTE 18 - Passenger Facility Charges - Greater Baton Rouge Airport District (Continued)

<u>Description</u>	<u>Project Amount</u>
Terminal Concept Study	\$ 450,000
Noise Mitigation	8,532,260
Terminal Building Plan Specifications	840,899
Terminal Building Renovations/Expansion	
Financing and Interest	19,069,316
Terminal Access Road/Passenger	
Loading Bridges	<u>6,504,390</u>
Total	<u><u>\$35,396,865</u></u>

Since the inception of the PFC, the Airport has recorded the following revenues and expenses through the 2001 fiscal year resulting in a restriction of net assets from passenger facility charges as follows:

Cumulative PFC Revenues (1992 - 2001)	\$10,810,911
Proceeds from debt issuance	65,130
Interest earnings	<u>966,962</u>
Total revenues	11,843,003
 * Cumulative PFC administrative fee	 (227,505)
Cumulative expenses for PFC projects (1992 - 2001)	(7,981,674)
Cumulative bond principal payments	(2,490,683)
Cumulative bond interest payments	<u>(1,093,213)</u>
Net assets restricted for PFC's	<u><u>\$ 49,928</u></u>

* Prior to 1995 the administrative fee was netted with PFC fees

NOTE 19 - Solid Waste Disposal Facility Closure And Postclosure Care Liability

The 1994 fiscal year was the first full year of operation for the new North Landfill, which opened when the old landfill, Devil's Swamp, was closed on October 8, 1993. The North Landfill is permitted by the U.S. Environmental Protection Agency (EPA) and the Louisiana Department of Environmental Quality (DEQ) to dispose of municipal solid waste and non-hazardous industrial waste from East Baton Rouge Parish and from surrounding cities, towns, and parishes. Regulations issued by the EPA and the DEQ require the City-Parish to perform certain closing functions and postclosure monitoring and maintenance functions for the North Landfill.

Municipal Solid Waste Landfill (MSWLF) Closure and Postclosure Care Costs are accounted for in accordance with guidelines recommended by GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. GASB Statement No. 18 states that a portion of the estimated total current cost of MSWLF closure and postclosure care is required to be recognized as an expense and as a liability in each period that the MSWLF accepts solid waste. Recognition should begin on the date the MSWLF begins accepting solid waste, continue in each period that it accepts waste, and be completed by the time it stops accepting waste. The estimated total current cost of closure and postclosure care includes the cost of equipment expected to be installed and facilities expected to be constructed near or after the date that the Solid Waste Disposal Facility stops accepting solid waste and any equipment installed during the 30 year postclosure period. Included in the total current cost is the cost of final cover expected to be applied near or after the date the facility stops accepting solid waste, and the cost of monitoring and maintaining the expected usable landfill area during the postclosure period.

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NOTES TO THE FINANCIAL STATEMENTS
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EXHIBIT A - 15
(Continued)

NOTE 19 - Solid Waste Disposal Facility Closure And Postclosure Care Liability (Continued)

The total estimated current cost of closure and postclosure care costs for the Solid Waste Disposal Facility, as prepared by an outside engineering firm, is \$19,155,550, and the total estimated capacity is 33,400,000 cubic yards with a projected useful life of 49 years. The estimated cost will be adjusted on an annual basis as deemed necessary by the management of the Department of Public Works to reflect the effects of inflation, changes in technology or changes in applicable laws or regulations.

The Solid Waste Disposal Facility Enterprise Fund recognizes a portion of the estimated total current cost of MSWLF closure and postclosure care as an expense and as a liability in each period that it accepts solid waste. The expense and liability are based on the number of cubic yards used during the period rather than on the passage of time. As of December 31, 2001, the liability for closure and postclosure care totals \$7,378,798. The liability is based on the landfill capacity used to date of 12,865,818 cubic yards or 38.5% of the landfill capacity. The liability will be financed by the Solid Waste Disposal Facility Enterprise Fund. The remaining estimated cost of closure and postclosure care of \$11,776,752 will be recognized as the remaining estimated capacity is filled. The estimated remaining useful life of the landfill as of December 31, 2001, is 41 years.

NOTE 20 - Subsequent Events

On May 17, 2002, the City of Baton Rouge issued \$25,900,000 in variable-rate taxable excess revenue bonds to refund one-third of the Municipal Police Employees Retirement System (MPERS) Note to the State of Louisiana which carries a fixed interest rate of 7%. The new bonds will be payable at a floating rate of interest over the next 28 years. A liquidity stabilization fund of \$1,250,000 will be established by the City to hedge against interest rate fluctuations. Once the stabilization fund is fully funded excess budgeted amounts for the old debt will be used to redeem the new variable rate bonds which are currently paying approximately 1.9%. It is expected that this issue will be liquidated within 15 years, which will generate a savings in the last 10 years by eliminating debt service.

